THE POWER TO DELIVER

LABAT AFRICA LIMITED

INTEGRATED REPORT OF THE COMPANY AND ITS SUBSIDIARIES

for the twelve months ended 31 August 2018

LABAT AFRICA

Mission and Principal Objectives

Labat Africa prides itself in, and dedicates itself to it's mission:

"THE POWER TO DELIVER"

THE PRINCIPAL OBJECTIVES OF THE GROUP ARE:

"To succeed in our Mission by establishing and maintaining a corporate image as market leaders in the provision and delivery of quality management, business and retail services to commerce, industry, national and local government, the international market and all other organisations and individuals having a need for such services.

and

"To take advantage of this corporate image by profitably expanding the business of the group and ensuring a fair return on the capital invested by Labat Africa and the general public in the company, and appropriate rewards for all professionals and other workers employed in it's operations."

"THE POWER TO DELIVER"

Labat Africa Limited
(Registration number 1986/001616/06)
Consolidated and Separate Annual Financial Statements for the year ended 31 August 2017
These consolidated and separate annual financial statements were internally compiled by:
Gorden Walters
Financial Director
These consolidated and separate annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

CONTENTS

The following reports and financial statements for the Company and the Group are presented:

CHIEF EXECUTIVE'S REPORT AND REVIEW OF OPERATIONS

1. RESULTS

The directors of Labat ("Board") are pleased to announce a profit of R12.5m for the year ended 31 August 2018.

Revenue increased by 41% to R73.3m for the year ended 31 August 2018 from R52m in the year ended 31 August 2017. This substantial increase is primarily due to revenue generated in the logistics business. The company has won some attractive new logistics contracts. Gross profit increased by 26% from R11.4m to R14.4m. Whilst the gross margin percentage from the logistics segment is lower than that of the SAMES electronic chip business, the growth in the logistics business has been very satisfactory.

Other income has increased substantially to R6.4m for the year under review from R1.0m in the prior year. This income primarily relates to transaction fees raised on the Force Fuel (Pty) Ltd acquisition effective from 1 September 2018. Operating expenses increased to R20.8m from R14.3m from the prior year. This included substantial start-up costs and provision for executive directors' remuneration. The group made a negligible operating loss of R23 109 for the year compared to an operating loss of R1.9m in the previous year.

The Company realised R13.7m (2017: R6.5m) of investment revenue in the current year, which arose from interest receivable from overdue SARS receivables. Finance costs of R1.1m were higher during the year under review due to invoicing facilities taken out during the year to assist with the rapid growth of the logistics business and interest incurred on the finance leases from the acquisition of 8 trucks and 8 trailers, emanating from the Labat-Kufika transaction, subsequent to the dissolution thereof.

Profit before taxation of R12.6m was achieved for the year ended 31 August 2018 against the prior year of R4.1m, a tax charge of R25 029 resulted in a profit after taxation of R12.6m.

During the current year, intangible assets from the capitalisation of development costs of energy measurement devices by SAMES rose by R1.6m compared to the R1.4m capitalised in the previous financial period.

Trade and other receivables showed a substantial decrease to R10.4m from R18.6m due to better cash flow management and the reduction in 60 day accounts. Trade and other payables showed a similar quantum reduction to R7.9m from R22.8m. Amounts receivable from SARS of R17.4m arose mainly as a result of interest receivable on overdue SARS receivables.

Provisions increased with R3.6m as a result of the increase in unpaid executive director emoluments during the year.

The improved performance of the group has also led to the net asset value of the group increasing by 102% to 9,59 cents per share.

2. SAMES

SAMES continues to trade profitably. Development of new products is ongoing and management are confident that its 10-year plan will yield positive growth for the Group. In addition, SAMES has embarked on its next development phase which has been completed almost 90%.During the year SAMES has now started the process of recruiting of highly skilled development engineers and support staff to support the Group's growth strategy.

3. LOGISTICS

Labat has decided to terminate its relationship with its joint venture partner Kufika due to a number of reasons. The termination was effective 1 September 2017 and as a result no revenue in the joint venture Labat- Kufika was realised in this period under review. Labat has continued with the organic growth of its own logistics business. Overall, the Labat logistics business is doing well and has been presented with many opportunities and has generated substantial revenues.

4. NEW STRATEGY AND INITIATIVES

As announced on 24 July 2018, Labat is continuing with its strategy of building a major BEE Logistics, distribution and transport group. On that date Labat announced on Sens that it had concluded the acquisition of Force Fuel (Pty) Ltd and Force Fuel Properties (Pty) Ltd. The Company has had discussions with various parties to secure logistics capacity through small acquisitions, joint ventures and sub contract agreements. The market is very supportive of the creation of a black-owned logistics group and indications are that substantial work is available to Labat. Discussions for the acquisition of Elf Trans and Centenary tankers as announced on Sens are still ongoing.

5. GOING CONCERN

The Board is of the opinion that, having regard to the current status and the future strategy of the Group, the Group has sufficient resources to continue as a going concern. The Group is projecting positive cash flows for the year ahead from its existing and new business.

CHIEF EXECUTIVE'S REPORT AND REVIEW OF OPERATIONS

6. LITIGATION

The Group has various claims and counter claims made by and against Labat which have risen in the normal course of business as previously disclosed. These matters are being dealt with by the Company's attorneys. No material changes in litigation have occurred since the previous year.

7. EVENTS AFTER THE REPORTING PERIOD

An agreement was reached to finalise the Labat-Kufika relationship as follows: Kufika and the Aucamp brothers will take over the remaining trucks and trailers and release Labat from any sureties outstanding on these vehicles as a full and final settlement.

The Company also acquired Force Fuel (Pty) Ltd as disclosed under the Acquisitions and Disposals section of the financial results.

The Group entered into guarantee agreements with various third party suppliers of Force Fuel (Pty) Ltd in the amount of R110 million.

8. ACQUISITIONS, DISPOSALS, SHARE ISSUES AND REPURCHASE

Other than the acquisition of the 100% stake in Force Fuel (Pty) Ltd, effective 1 September 2018, there were no other acquisitions concluded by the Company during the year under review. The acquisition of Force Fuel (Pty) Ltd was fully described in the SENS announcement dated the 1 June 2018.

9. DIVIDENDS

No dividend has been declared for the period under review (August 2017: R nil).

10. PROSPECTS

Prospects for the year ahead are excellent. With the exponential growth of the newly established logistics business, the Board is of the view that the Group is well-positioned to explore greater opportunities and use current resources to broadly diversify the Group's logistics strategy, which includes a seamless franchising model. In addition, the acquisition of Force Fuel (Pty) Ltd, a large fuel distribution business, has given Labat the scale it requires for its growth strategy. This gives us access to a diversified range of customers including many in the logistics industry.

11. THANKS

I take this opportunity to thank all my colleagues on the Board and our dedicated management team and staff for their contribution during the year.

Brian van Rooyen
Chief Executive Officer

31 January 2019

FINANCIAL HIGHLIGHTS

Group Summary

	2018 August R'000	**2017 August R'000**
Key elements		
Continuing operations		
Revenue	73 347	52 011
Operating income/(loss) before interest, taxation and depreciation & amortisation	23	(1 890)
Headline earnings	12 585	4 642
Total comprehensive income	12 585	4 642
Share performance		
Continuing operations		
Headline earnings per share (cents)	4.86	1.81
Net asset value per share (cents)	9.59	4.73
Total number of shares in issue (000)	**262 089**	**259 202**
Market price (cents per share)		
- opening (1 September)	45	28
- high	50	50
- low	23	15
- closing – end of period	46	45
Closing market capitalisation (R'000)	120 561	117 946
Volume of shares traded (000)	26 769	43 023
Total value of transactions (R'000)	**14 427**	**19 300**
Employee information		
Total number of employees	25	25
Previously disadvantaged employees	11	11

ANALYSIS OF SHAREHOLDERS

Labat's shareholder spread as at 31 August 2018 is set out below:

Category	No. of Shareholders	No. of Shares	% Holding
Companies and Other Institutions	62	195 051 510	74.42%
Close Corporations	12	445 029	0.17%
Trusts	18	3 674 823	1.40%
Individuals	794	62 917 560	24.01%
Total	**886**	**262 088 922**	**100.00%**

Size of Shareholding	No. of Shareholders	No. of Shares	% Holding
1 - 10 000	650	1 292 515	0.49%
10 001 - 25 000	71	1 205 859	0.46%
25 001 - 100 000	144	32 135 023	12.26%
100 001 - 500 000	10	25 862 003	9.87%
500 001 and over	11	201 593 522	76 92%
Total	**886**	**262 088 922**	**100.00%**

Public vs. Non-Public	No. of Shares	% Holding
Shareholders holdings more than 10% of total issued capital		
Link Private Equity and Investments (Pty) Ltd	105 029 815	40.07%
Directors and Associates	-	-
Public	157 059 107	59.93%
Total	**262 088 922**	**100.00%**

Shareholders holding more than 4% of the issued share capital

Shareholder	No. of Shares	% Holding
Link Private Equity and Investments (Pty) Ltd	105 029 815	40.07%
RMB Securities (Pty) Ltd	18 086 137	6.90%
Industrial Development Corporation	10 834 686	4.13%
Peregrine Equities (Pty) Ltd	10 840 637	4.14%
Mrs Fowzia Osman	10 500 000	4.01%
Total	**155 291 275**	**59.25%**

CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

for the year ended 31 August 2018

INTRODUCTION

The Directors are pleased to present the Group's sustainability report to stakeholders. Labat's sustainability efforts are a continuous process through which the Group aims to move closer to the goals of sustainable development and to demonstrate its commitment to those goals. The Board has appointed a champion at director level, the Chief Executive Officer, to drive this process in conjunction with rolling out the acquisition strategy of the Group. As can be expected this is a major task and for this reason Labat has decided to adopt a staggered approach. The Board strives to broaden and deepen the contents of this report over a period of time. This will be done in conjunction with the Group's stakeholders to ensure meaningful, understandable and useful information is available on a timely basis, thus achieving true transparency and building a trusting relationship with all stakeholders.

REPORTING SCOPE

The activities of the operations in which Labat has management control are included in this report.

SUSTAINABLE DEVELOPMENT STRATEGY

The Company's sustainable development strategy is a matter of the Board and is currently in the process of being formally implemented. Annual strategy sessions are held in addition to the four quarterly board meetings and are used as a platform by the Board for the purpose of reviewing the Company's sustainable development.

The 2019 annual strategy session was held post the 2018 financial year end on 23 October 2018 at which the Board discussed the Company's growth strategy at length, with a core focus on the logistics sector in line with the company's logistics business plan.

The board will evaluate Labat's sustainable development strategy over the next year at one of the scheduled quarterly board meetings.

CORPORATE GOVERNANCE

The Group subscribes to the values of good corporate governance at all levels and is committed to conducting business with discipline, integrity and social responsibility.

Shareholders are advised that during the financial year ended 31 August 2018, the JSE adopted the fourth King Report on Corporate Governance ("King IV") into the JSE Listings Requirements and has replaced King III. The Directors are committed to adhering to King IV principles, which will be constantly reviewed and implemented in a phased manner. The company's extent of compliance with King IV is disclosed in this integrated annual report. The Directors have always been committed to the implementation of the principles. Non-compliance is limited to the matters listed in this report.

INTERNAL AUDIT

The Group does not have an internal audit function. Currently the size and nature of the operations of the Group does not warrant an internal audit function. However, the Board in conjunction with the Audit and Risk Committee, continually assesses the need to establish an internal audit department as the Group's operations increase and, following the acquisition of Force Fuel, it is expected that an internal audit function will be introduced during 2019.

During the period under review, the Board has taken responsibility to ensure that an effective governance, risk management and internal control environment has been maintained.

FINANCIAL STATEMENTS

In terms of the Companies Act, 71 of 2008 ("Companies Act"), the Directors are responsible for the preparation, integrity and fair representation of the financial statements of Labat. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the International Standards on Auditing, the JSE Listings Requirements and in the manner required by the Companies Act.

The Group has implemented internal control systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard the accountability of its assets. Management has sound reporting facilities which are utilised within the Group. Monthly management reports are reviewed by management against budgets and past performances.

BOARD OF DIRECTORS

As at the date of this report there were three independent non-executive members of the Board. Meetings of executive directors are held at regular intervals with regard to the running of day to day operations in addition to quarterly meetings of the full Board.

The composition of the Board at the date of approval of the Annual Report is set out below:

Executive

BG van Rooyen (Chief Executive Officer)

DJ O'Neill (Executive Director)

NS Mogapi (Chief Operations Officer)

GRI Walters (Financial Director)

Independent Non-executive

RM Majiedt (Independent Non-Executive Chairperson)

R Mohamed (Independent Non-Executive Director)

BA Penny (Independent Non-Executive Director)

Mr Mogapi and Walters were appointed as executive directors subsequent to year end, pursuant to the acquisition of Force Fuel. Mr O'Neill's role will change from executive to non-executive during the course of 2019.

DIRECTORS' PROFILES

Brian George van Rooyen, (58) NHD (Accounting) CFA

Brian is a practising member of the Institute of Certified Public Accountants in South Africa. He has more than 25 years of business experience and during this time he held various positions in Industry including directorships of SBDS, Italtile, Square One Solutions, SAFDICO, Leeuw Mining as well as a number of positions within the Labat Group of Companies.

David John O'Neill, (71) FCA (IRL) Chartered Accountant

David is a Chartered Accountant with over 30 years of commercial experience gained internationally in a variety of industries both in the financial field and in general management. Prior to joining Labat, David served as a Consulting Director for a large Management Consulting practice where he engaged in a variety of investigations and consulting assignments. David qualified as a Chartered Accountant in 1973, becoming a Fellow of the Institute of Chartered Accountants of Ireland in 1983. He subsequently embarked on a successful career in Finance, General Management and Consulting. This experience has enabled him to acquire comprehensive knowledge and practice of the financial marketing and broad general management skills.

Gorden Ronald Ivan Walters (49) B Com (Accountancy), Hon B Compt.

Gorden is an accountant and obtained a B Com (Accountancy) at the University of Western Cape and an Honours B Compt. at the University of South Africa. Gorden has over 25 years of extensive experience with 15 years in the energy/power sector where he spent over nine years with a leading power utility company in Namibia as Group CFO for five years. He joined Trustco as executive Director in 2007 and was instrumental in the listing of Trustco on the JSE in 2009. In 2011 Gorden joined a newly established South African IPP where he headed up the M&A/project finance team, of which two large wind farms are fully operational.

Ntebele Stephen Mogapi ("Tebogo") (56) Dip Business Management

Tebogo obtained his Diploma in Business Management from the then South African Institute of Management, as well as Certificates in Professional Advanced Advertising and Marketing Management. Tebogo has also completed the global executive development programme with Wits Business School and global advancement programme from the Gordon Institute of Business Science ('GIBS"). He started his career in television broadcasting with Bop TV and soon thereafter joined Coca Cola Export Corporation. He later moved to South African Breweries as a sales manager and later regional manager. Tebogo also worked for MTN South Africa as head of corporate sales division, MTN Nigeria as head of sales and distribution, MTN Swaziland and MTN Liberia as their CEO. Tebogo will be the Chief Operating Officer of the Group, going forward.

Rowena Mandy Majiedt (55) B. Com

A qualified Mathematics teacher, Rowena obtained her High Diploma in Education from the then Bellville College of Education and is currently studying towards a B. Com degree through the University of South Africa.

Rowena is a member of Electus Training and Development CC (a Training and Skills Development Corporation), Deputy Chairperson of NCEDA (Northern Cape Economic Development Agency), and the owner of MacDougall Lodge (an accommodation establishment) situated in Kimberley.

Rowena is also a shareholder in Goldfields' South Deep Mine through a Women's' Empowerment group. From 2002 to 2009, Rowena was the only female director of Ekapa Mining, and was also the HR Manager, for 350 employees, at Ekapa Mining from 2003 to 2005.

Rustum Mohamed (55)

Rustum has had over 30 years business experience as a director, Marketer and Business Development manager for a variety of prestigious organisations, including, Investment South Africa, Wesgro and The Eastern Cape Development Corporation. Rustum chairs the audit and Risk Committee.

Beverley Anne Penny (60) BA, B. Proc, LLB

Beverly is an admitted attorney and registered master tax practitioner. She obtained her BA Degree majoring in Law and Political Science at the University of Witwatersrand, B. Proc and LLB Degrees at UNISA as well a Higher Diploma in Tax Law at the University of Johannesburg. She brings wealth of legal and tax experience to the Board and Audit and Risk Committee.

ROLE OF DIRECTORS

All Board members ensure that appropriate governance procedures are adhered to and there is a clear division of responsibilities at Board level to ensure a balance of power and authority so that no one individual has unfettered powers of decision making.

The role of chairman and CEO are not held by the same director. The chairperson is an independent non-executive director.

Board and Audit and Risk Committee meetings have been taking place periodically and the Executive Directors manage the daily Group operations with the Executive Committee meetings taking place on a monthly basis.

The Board is responsible for effective control over the affairs of the Group, including: strategy and policy decision-making, financial control, risk management, communication with stakeholders, internal controls and the asset management process.

Although there was no specific committee tasked with identifying, analysing and reporting on risk during the financial year, this nevertheless forms part of the everyday functions of the Directors and was managed at Board level.

Directors are entitled, in consultation with the Chairperson to seek independent professional advice about the affairs of the Group, at Labat's expense.

BOARD AND BOARD COMMITTEE MEETINGS

The Board retains overall accountability for the day-to-day management and strategic direction of the Group, as well as for attending to relevant legislative, regulatory and the best practice requirements. Accountability to stakeholders remains paramount in Board decisions, and this is balanced against the demands of the regulatory environment in which the Group operates.

Three Board meetings were held during the twelve months under review, with another held post the financial period, as set out below:

Director	21/11/2017	20/02/2018	28/06/2018	23/10/2018
RM Majiedt (Chairperson)	Present	Present	Present	Present
DJ O'Neill	Present	Present	Present	Present
BG van Rooyen	Present	Present	Present	Present
R Mohamed	Present	Present	Present	Present
BA Penny (*)	N/A	Present	Present	Present
NS Mogapi (#)	N/A	N/A	N/A	Present
GRI Walters (#)	N/A	N/A	N/A	Present

(*) Appointed on 30 November 2017

(#) Appointed on 1 September 2018

Subsequent to year end Tebogo Mogapi and Gorden Walters were appointed to the board on 1 September 2018.

To assist the Board in discharging its collective responsibility for corporate governance, a combined Audit and Risk Committee has been established, to which certain of the Board responsibilities have been delegated.

Although the Board delegates certain functions to the Audit and Risk Committee, it retains ultimate responsibility for Audit and Risk Committee activities.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee meets at least twice a year to review its strategy. The Audit and Risk Committee comprises the following members:

Mr Rustum Mohamed (Chairman);

Ms Rowena Majiedt; and

Ms Beverley Penny.

The Audit and Risk Committee has set out its roles and responsibilities within its charter and ensured that it is aligned to good corporate governance principles.

These include:

- The establishment of an Audit and Risk Committee to guide the audit approach, as well as its modus operandi and the rules that govern the audit relationship;
- Assess the processes relating to and the results emanating from the Group's risk and control environment;
- Oversee the financial reporting process;
- Evaluate and co-ordinate the external audit process;
- Foster and improve communication and contact with relevant stakeholders of the Group;
- Monitor the compliance of the Group with regulatory requirements and the Group's Code of Ethics;
- Review the independence of the external Auditors; and
- Review of the experience and expertise of the Financial Director.

The Audit and Risk Committee further sets the principles for recommending the external auditors for non-audit services use.

The Audit and Risk Committee has satisfied itself of the suitability of the Financial Director, and that the Financial Director holds the necessary expertise and has the relevant experience.

The Audit and Risk Committee together with the Board, further satisfied itself of the suitability of the company secretary, Arbor Capital Company Secretarial Proprietary Limited, and that the company secretary, including its directors and employees holds the necessary expertise, qualifications and has the relevant experience. The company secretary has an arm's length relationship with the Board and is independent of the Board.

Two Audit and Risk Committee meetings were held during the twelve-month period under review, with another held post the financial period end, as set out below:

Member	20/02/2018	28/06/2018	23/10/2018
R Mohamed	Present	Present	Present
RM Majiedt	Present	Present	Present
BA Penny	Present	Present	Present
By invitation			
BG van Rooyen	Present	Present	Present
DJ O'Neill	Present	Present	Present
NS Mogapi (#)	N/A	N/A	Present
GRI Walters (#)	N/A	N/A	Present

(#) Appointed on 1 September 2018

REMUNERATION COMMITTEE

The Remuneration Committee is empowered by the Board to set short, medium and long-term remuneration for the executive directors. More generally, the committee is responsible for the assessment and approval of a Board remuneration strategy for the Group. The Committee's policy is to meet twice a year to review the strategy.

The Remuneration Committee comprises the following members:

Ms Rowena Majiedt (Chairperson);

Mr Rustum Mohamed; and

Ms Beverley Penny.

The two meetings were held for the Remuneration Committee during the twelve months under review and were meetings subsequent to year end as set out below:

Member	20/02/2018	28/06/2018
RMM Majiedt (Chairperson)	Present	Present
R Mohamed	Present	Present
BA Penny	Present	Present
By invitation		
BG van Rooyen	Present	Present
DJ O'Neill	Present	Present

In terms of King IV a Remuneration Report has been adopted and details of this report are on pages 22 to 25 of this Annual Report.

SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee comprises the following members, two of whom are non-executive:

Ms RM Majiedt (Chairperson);

Mr DJ O'Neill; and

Mr R Mohamed.

One Social and Ethics Committee meeting was held during the twelve months under review as set out below:

Member	20/02/2018
RMM Majiedt (Chairperson)	Present
DJ O'Neill	Present
R Mohamed	Present
By invitation	
BG van Rooyen	Present
BA Penny	Present

A more detailed report is available on pages 24 to 26 of this Annual Report.

NOMINATION COMMITTEE

The Group currently does not have a nomination committee. In terms of the Labat Terms of Reference, directors are appointed through a formal process and this is a matter of the board as a whole.

New directors appointed to the Board during a year are appointed in accordance with the casual vacancy provisions of Labat's Memorandum of Incorporation, automatically retire at the next annual general meeting and their re-appointment is subject to the approval of shareholders at such annual general meeting.

On appointment, new directors receive an induction pack, consisting of, inter alia, the Memorandum of Incorporation of the Company, Section 3 of the JSE Listings Requirements relating to continuing obligations of listed companies, minutes of Board and other Committee meetings for the prior 12 months, resolutions passed during the prior 12 months, all announcements published on SENS in the prior 12 months and an explanation of and copies of directors' declarations of interest.

With the exception of the executive directors, one third of the directors retire by rotation each year and each retiring director is eligible for re-election by shareholders in accordance with the Memorandum of Incorporation. Directors are required to retire from the Board at age 70. However, the Board can decide that a director continues in office beyond this age.

Due to the size and nature of the business, it is not anticipated that a nomination committee will be established and Board appointments will continue to be addressed by the Board as a whole. However, the Board is conscious of the fact that such a committee might be required in due course.

GOVERNANCE OF INFORMATION TECHNOLOGY ("IT")

The Board is responsible for IT governance as an integral part of the Group's governance as a whole. The IT function is not expected to significantly change in the short term but this will be reconsidered with the acquisition of Force Fuel.

The Board intends compiling the required policies and procedures to ensure governance of IT is adhered to in future periods.

INTEGRATED AND SUSTAINABILITY REPORTING

The King IV Code sets out the philosophy, principles, practices and outcomes which serve as the benchmark for corporate governance in South Africa. The King IV Code, which was launched on 1 November 2017, replaced the previous editions of the King Reports, namely the King III Code. The application regime for King IV is "apply and explain" rather than "apply or explain" but has reduced the 75 principles in King III to 17 basic principles in King IV.

The 17 basic principles are detailed under separate cover on page 12 to 20 of this Annual Report and is also available on the company's website, www.labat.co.za

EMPLOYMENT EQUITY

Labat upholds and supports the objectives of the Employment Equity Act 1998 (Act 53 of 1998). Labat's employment policies are designed to provide equal opportunities, without discrimination, to all employees.

PROMOTION OF GENDER AND RACE DIVERSITY

In terms of paragraph 3.84(k) of the JSE Listing Requirements, the Board is required to have a policy on the promotion of gender diversity at Board level. Furthermore, King IV requires a policy on race diversification.

The Board recognizes the need for gender and race diversification and has embraced race diversification from date of listing.

Currently five of its seven directors are black or coloured. A diversity policy has been adopted that embraces gender, race and disabled diversification. A simple policy has been agreed that for future board appointments, female or black candidates will be preferred where qualifications and/or experience are equal.

During the financial year under review Rowena Majiedt and Beverley Penny were the female directors on the board. The two executive appointments after year end, although linked with the acquisition of Force Fuel, further improve the diversity of the board in terms of race.

CODE OF ETHICS

All employees of the Group are required to maintain the highest standards in ensuring that business practices are conducted in a manner, which, in all reasonable circumstances, are above reproach. The values have been embodied in a written Code of Ethics which commits directors and employees to the highest standards of ethical behavior. The Code of Ethics was updated during the 2018 and adopted by the Committee and approved by the Board.

COMMUNICATION WITH STAKEHOLDERS

The Group is committed to ongoing and effective communication with its stakeholders.

DEALINGS IN SECURITIES

In respect to dealings in securities of Labat, as applied to the Directors and the Company Secretary, the chairperson is required to authorise such dealings in securities, prior to deals being executed. An independent non-executive director is required to authorise the chairperson's dealings in securities. All the Directors and the Company Secretary are aware of the legislation regulating insider trading. A record of dealings by Directors and the Company Secretary is retained by the Company Secretary.

In accordance with the JSE Listings Requirements, the Directors and company secretary are prohibited from dealing in securities during closed and prohibited periods.

There were no dealings by Directors during the period under review.

CLOSED AND PROHIBITED PERIODS

A closed period is implemented by the Board from the date of the end of the reporting period until the Group's results are released on SENS. Additional closed or prohibited periods are enforced as required in terms of any corporate activity or when Directors are in possession of price sensitive information. All the Directors are aware of the legislation regulating insider trading.

TRANSFER OFFICE

Computershare Investor Services Proprietary Limited acts as Transfer Secretary to the Group.

APPLICATION OF KING IV PRINCIPLES
for the year ended 31 August 2018

Labat Africa Limited ("Labat" or "the Company" or "the Group") endorses the governance outcomes, principles and recommended practices contained in the King Report on Corporate Governance 2016 ("King IV" or "King Code"), which was published on 1 November 2016 and came into effect for companies listed on the JSE Limited ("JSE") on 1 October 2017.

The board of directors, which constitutes the governing body of the Company ("Board"), satisfied itself that Labat has substantially applied the applicable principles set out in King IV, together with the mandatory corporate governance requirements set out in 3.84 of the Listings Requirements of the JSE, for the year ended 31 August 2018.

King IV advocates an outcomes-based approach towards the achievement of four governance outcomes. A summary of the King IV principles implemented by the Company in meeting those outcomes is set out below. While recommended practices were applied where and to the extent applicable to the business, further enhancements will be made over time in line with the Company's aspirations to continuously improve its corporate governance practices.

This document should be read in conjunction with the 2018 Integrated Report (as cross-referenced below), which is available on the Company's website at www.labat.co.za.

Governance outcome: Ethical culture	
PART 1: Leadership, ethics and corporate citizenship	
Principle 1	**Leadership**
The Board should lead ethically and effectively	The Board is committed to the highest standards of corporate governance. The responsibilities of the Board include providing effective leadership based on an ethical foundation.To this end, the Board has adopted an updated Code of Ethics during 2018, which is designed to ensure the effective management of ethics and is applicable to all directors, employees, contractors and other representatives of the Group.The Board and its committees will monitor compliance with the Code of Ethics. Directors have a legal obligation to prevent conflicts of interest with the Company and are obliged to disclose any potential conflicts prior to any consideration or discussion by the Board of such items and are required to recuse themselves from any meetings while such discussions are in progress.Disclosures of other directorships are tabled at the start of each Board meeting and this is a standard agenda item. Practices implemented with regards to the appointment of new directors are included under Principle 7 below. Due to the relatively small size of the company and the board, assessments have not been done.However, it is intended that a performance and effectiveness assessment of the Board, the Audit and Risk Committee, and the Social and Ethics Committee will be performed at least every two years for the Board, and every second year for the committees, and the results of these assessments will be communicated to the Board and its committees.

APPLICATION OF KING IV PRINCIPLES
for the year ended 31 August 2018 (Continued)

Governance outcome: Ethical culture	
PART 1: Leadership, ethics and corporate citizenship	
Principle 2	**Organisational ethics**
The Board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture	In accordance with the Board Charter (which is in the process of being review), the Board is the guardian of the values and ethics of the Group and sets the tone for an ethical organisational culture across the Group.The Board has a fiduciary duty to act in good faith, with due care and diligence and in the best interests of the Group and its stakeholders and is therefore the primary body responsible for the corporate governance values of the Group.While control is delegated to management in the day-to-day management of the Group, the Board retains full and effective control over the Group. The revised Code of Ethics, which is in the process of being adopted by the Board, will commit the Group and its employees to the highest ethical standards of conduct and amongst others regulates aspects of confidentiality, non-discrimination, the acceptance of gifts and bribes and political contributions. Procedures exist in terms of which unethical business practices can be brought to the attention of the Board.The Board has adopted a zero-tolerance approach to fraud and the appropriate remedial action is taken should any substance be found to the matter reported.
Principle 3	**Responsible corporate citizenship**
The Board should ensure that the organisation is and is seen to be a responsible corporate citizen	The Social and Ethics Committee, which reports to the Board and shareholders, reflects and effects the Company's commitment to responsible corporate citizenship.Labat subscribes to the provisions of the Promotion of Equality and Prevention of Unfair Discrimination Act.The Group's good corporate citizenship is further evidenced by its promotion of the reduction of corruption, as well as its contribution to the development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed.The Company maintains a record of sponsorship, donations and charitable giving Shareholders are referred to the Social and Ethics Committee Report, which is included in the Company's 2018 Integrated Report, for further disclosures in this regard. During the period under review there were no material fines or penalties incurred which needed to be brought to the attention of stakeholders.

APPLICATION OF KING IV PRINCIPLES

for the year ended 31 August 2018 (Continued)

Governance outcome: Good performance	
PART 2: Strategy, performance and reporting	
Principle 4	**Strategy and performance**
The Board should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process	The Board, as a whole and through its committees, approves and monitors the implementation of the strategy and business plan of the Company.With the recent diversification and growth of the business, the board is in the process of setting objectives, establishing and reviewing key risks and opportunities that could threaten or enhance the Group's ability to provide sustainable long-term growth to stakeholders, and will in due course evaluate performance against the background of economic, environmental and social issues relevant to the Company and macro-economic conditions.The sustainability of the Group's businesses is a key consideration in the development and implementation of the Group's business model, supported by formal policies governing environmental, corporate social investment, ethical and remuneration matters, all of which form key components of the value-creation process and are effective in ensuring the long-term sustainability of the Group. It is the intention that risk disclosures, together with the steps to mitigate the same, will be made annually in the Integrated Report from the year ending 31 August 2019, although this was initially planned for the year ended 31 August 2018.The Board discusses the top risks faced by the Company and confirms its satisfaction with the management of the risk management processes but this requires more work.The Audit and Risk Committee actively monitors the Group's key risks as part of its standard agenda.However, this will become a key focus area with the growth in the business and recent acquisition of Force Fuel. Shareholders are referred to the Corporate Governance and Sustainability Report, which is included in the Company's 2018 Integrated Report, for further disclosures in this regard.
Principle 5	**Reporting**
The Board should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects	The Board is responsible for the integrity and transparency of the Company's reporting and, assisted by the Audit and Risk Committee and the external auditors, oversees the issue of the Company's annual financial statements and integrated reports.The Social and Ethics Committee oversees the sustainability reporting process, which is currently not independently assured by a sustainability assurer.Independent assurance will be considered in the future as soon as the Company's size warrants such an initiative.The Company also ensures that these reports and other information are published on its website. The Board is committed to a communication policy to ensure that timely, relevant, accurate and honest information is provided to all stakeholders to enable them to make informed assessments of the Company's performance and its short, medium and long-term prospects. The Company adheres to the requirements in terms of the JSE Listings Requirements and Financial Markets Act and is in the process of updating its policies governing the dissemination of price-sensitive information and insider trading.The publication of external reports and press releases, including releases on the JSE's electronic news service (SENS), requires the prior approval of the Company's Chief Executive Officer, or as may be otherwise instructed.

Governance outcome: Effective control	
PART 3: Governing structures and delegation	
Principle 6	**Primary role and responsibilities of the Board**
The Board should serve as the focal point and custodian of corporate governance in the organisation	The Board ensures that the Company applies the governance principles contained in King IV and continues to further entrench and strengthen recommended practices through the Group's governance structures, systems, processes and procedures.The Board's governance role and responsibilities are set out in the Board Charter and includes the focal role of setting the strategic direction of the Group. The Board meets once every quarter; however, should an important matter arise between scheduled meetings, additional meetings may be convened.The Board may obtain independent, external professional advice at the Company's expense concerning matters within the scope of their duties and the directors may request documentation from and set up meetings with management as and when required. An appropriate governance framework and the necessary policies and processes are in place to ensure entities in the Group adhere to Group requirements and minimum governance standards. While it may delegate to its committees and management where appropriate, the Board remains ultimately accountable for corporate governance in the Group and for the appropriate and transparent reporting of corporate governance.

Governance outcome: Effective control	
PART 3: Governing structures and delegation	
Principle 7	**Composition of the Board**
The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively	At the date of issue of this Annual Report, the Board comprises of four executive directors (of which two are new appointments post year end) and three independent non-executive directors.One of the executive directors will be retiring during 2019 and will become a non-executive director in due course, albeit not independent.All members of the Board have the requisite skills and knowledge from diverse industry backgrounds.The curricula vitae of the independent non-executive directors are included in the Integrated Report. The Board is chaired by an independent non-executive director ("**Chairman**") and the roles of the Chairman and the Chief Executive Officer are separate and clearly defined to ensure a balance of power and effective discharge of duties. The independence of the non-executive directors is reviewed on an annual basis by the Board against the criteria stipulated by the Listings Requirements of the JSE and King IV.The arrangements for the periodic, staggered rotation of Board members are included in the Company's Memorandum of Incorporation and are duly applied. To ensure a formal and transparent appointment process, any new appointment of a director is considered by the Board as a whole. The selection process involves considering the existing balance of knowledge, skills and experience on the Board and a continual process of assessing the needs of the Company and the Board's effectiveness and ability for it to discharge its governance role and responsibilities objectively and effectively. Directors are appointed in terms of the Company's Memorandum of Incorporation. New directors appointed to the Board are provided with an induction pack, including background material on the Company's business and Board matters, guidance on directors' duties and responsibilities, and meetings with senior executives.Directors receive regular briefings on legal and other developments, including changes in the business and the business environment. The Board has adopted a policy on the promotion of gender, race and disability diversity and inclusion at Board level, and reports in the Integrated Report on how it has made progress towards the targets established in the policy.The Board is mindful and supportive of the need for, and importance of, gender, race and disability diversity and has considered this when making new appointments to the Board during the past year. With all the changes to the Board during the current financial year he board has not been able to carry out a formal self-evaluation on the composition of the Board and the appropriate mix of knowledge, skills, experience, diversity and independence within but will do so during the coming financial year.

Governance outcome: Effective control	
PART 3: Governing structures and delegation	
Principle 8	**Committees of the Board**
The Board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties	Details regarding the Board's delegation of authority framework are included under Principle 10 below. The Board has delegated certain functions, without abdicating its own responsibilities, to the following committees ("**Committees**"), all of which has been established pursuant to written Terms of Reference: •Audit and Risk Committee •Social and Ethics Committee •Remuneration Committee. The Company does not have a Nominations Committee and this is handled by the Board as a whole. The Committees are appropriately constituted and members are appointed by the Board, with the exception of the Audit and Risk Committee whose members are nominated by the Board and elected by shareholders of the Company.Meetings of the Committees are formally minuted. The Committees assist the Board to effectively discharge its duties.The composition and mandates of the Committees, as detailed in the Corporate Governance Report (which is included in the Company's 2018 Integrated Report), ensure that there is an appropriate balance of power and that an independent perspective is brought to Board deliberations and that no single director has unfettered powers.
Principle 9	**Evaluations of the performance of the Board**
The Board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness	The performance and effectiveness of the Board as a whole will be evaluated every two years going forward, while the effectiveness of the Audit and Risk Committee and the Social and Ethics Committee is evaluated every second year by the directors. The Chairman of the Board, assisted by the Company Secretary, will lead the Board's evaluation process. Items identified for improvement will be discussed and followed up to ensure the implementation of recommended actions and the continued improvement in performance and effectiveness. An assessment of the suitability and effectiveness of the Chief Financial Officer is conducted annually by the Audit and Risk Committee and is confirmed in the Audit and Risk Committee's report in the annual financial statements. The appointment of the Chairman is reviewed by the Board every two years, in conjunction with the board evaluation process.

APPLICATION OF KING IV PRINCIPLES

for the year ended 31 August 2018 (Continued)

Governance outcome: Effective control	
PART 3: Governing structures and delegation	
Principle 10	**Appointment and delegation to management**
The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities	While retaining overall accountability and subject to matters reserved to itself, the Board has delegated authority to the Chief Executive Officer and the Financial Director to run the day-to-day affairs of the Company, subject to a delegation of authority framework which contributes to the effective exercise of responsibilities. The Board reviews the delegation of authority framework when appropriate, due to the changes in the nature of the Group's business. The Chief Executive Officer is accountable to the Board for the successful implementation of its strategy and the overall management and performance of the Group.The role and responsibilities of the Chief Executive Officer, who was appointed by the Board, are set out in the Board Charter. The Board has satisfied itself that key management functions are fulfilled by competent and appropriately authorised individuals and are adequately resourced. Currently succession planning is not in place for the Chief Executive Officer.However, the Board has recently appointed a new Financial Director, which partly addressed this specific risk relating to succession planning for the Financial Director position.With the recent expansion of the group, succession planning is now being addressed and will be considered further during the forthcoming year. The Company has appointed Arbor Capital Company Secretarial Proprietary Limited as Company Secretary, which reports to the Board on all statutory, regulatory and governance matters concerning the Group.The performance and independence of the Company Secretary is evaluated by the Board annually and the Board has satisfied itself as to the appropriateness of this appointment and as to the arms-length nature of this appointment.
PART 4: Governance functional areas	
Principle 11	**Risk governance**
The Board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives	In terms of the Board Charter, the Board is responsible for the governance of risk and the Audit and Risk Committee assists the Board with this responsibility.The Audit and Risk Committee sets the approach for risk governance in a manner that ensures adequate evaluation of opportunity and risk and supports the Company in setting and achieving its strategic objectives. Executive management is in the process of finalising and implementing a new risk matrix which will categorise the estimated impact and likelihood of the risks identified in each different segment and advise the Board of the controls established/remedial action taking place at subsidiary level to mitigate the risks identified.

Principle 12	Technology and information governance
The Board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives	The Board recognises the importance of technology and information in relation to the Group's strategy.However, this has not been a focus of the group and the Board has yet to adopt an IT Policy Framework, which will delegate implementation to management, including the information technology strategy, structure and procedures, ensuring alignment with the performance and sustainability of the Company, bearing in mind its status as an SME. With the recent growth in the Company, this will be evaluated during the course of 2019 to ensure that this remains appropriate and fit for purpose. In terms of the Board Charter and the Audit and Risk Committee Terms of Reference, the Board, together with the Audit and Risk Committee, will oversee the governance of information technology.
Governance outcome: Effective control	
PART 4: Governance functional areas	
Principle 13	**Compliance governance**
The Board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen	The Board delegates its responsibility for the implementation and execution of effective compliance management to management; however, the Board retains overall accountability for compliance with applicable laws, adopted non-binding rules, codes and standards. The Audit and Risk Committee, together with the Social and Ethics Committee and the Company Secretary review the adequacy and effectiveness of the Group's procedures to ensure compliance with legal and regulatory responsibilities.Any material incidences of non-compliance and/or significant fines or penalties incurred are reported to the Board and/or the Audit and Risk Committee to ensure that appropriate remedial action is taken. The Board is apprised of relevant new legislation or regulations introduced from time to time to ensure that compliance requirements are kept up to date.Details of any material regulatory penalties, sanctions or fines for non-compliance with the Group's statutory obligations incurred will be disclosed in the Integrated Report.During the year under review, there were no material findings of non-compliance with applicable legislation or regulations.
Principle 14	**Remuneration governance**
The Board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term	The Board oversees the governance of remuneration but does not set the direction for remuneration across the Group, which is currently set by the Chief Executive Officer and Financial Director.The Board is in the process of setting KPI's for the executive directors, with a focus on the sustainability and performance of the Group and the first steps in this regard were taken in 2018. The Company's remuneration policy, as approved by the Board, is tabled for a non-binding advisory vote at each Annual General Meeting of shareholders.Non-executive directors' fees are submitted annually to shareholders for approval at the Annual General Meeting. The remuneration policy ensures that the Company remunerates fairly, responsibly and transparently in the context of overall remuneration in the Group to enable the Company to achieve its strategic objectives and to secure positive outcomes in the short, medium and long term.A summary of the provisions of the remuneration policy is included in the Integrated Report.

APPLICATION OF KING IV PRINCIPLES
for the year ended 31 August 2018 (Continued)

Principle 15	**Assurance**
The Board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports	The Company is committed to appointing service providers to provide independent assurance on both the financial and non-financial aspects of the business based upon their specific expertise and experience.The Board sets the direction for assurance services and functions but the responsibility for overseeing such arrangements is delegated to the Audit and Risk Committee, which is charged with supporting the integrity of information for internal decision-making use and for external reports. A combined assurance model has been developed and formally implemented across the Group to effectively cover the Group's significant risks and material matters.The model includes but is not be limited to the Group's risk management and compliance functions, the external auditors and regulatory inspectors, together with such other external assurance providers as may be appropriate or deemed necessary from time to time, including the Company Secretary, which provides assurance on aspects of corporate governance and a JSE Sponsor which advises on the Listings Requirements of the JSE. The Audit and Risk Committee has satisfied itself as to the independence of the external auditor.With regards to an internal audit function, the nature and size of the Company does not warrant such a function at this stage.However, the Audit and Risk Committee will continue to be guided by management regarding the requirement for the same, which would be reviewed from time to time.
Governance outcome: Legitimacy	
PART 5: Stakeholder relationships	
Principle 16	**Stakeholders**
In the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time	The Board as a whole, acts as a steward of the Company and each director acts with independence of mind in the best interests of the Company and its stakeholders.In its deliberations, decisions and actions, the Board is sensitive to the legitimate interests and expectations of the Company's stakeholders.Directors are mindful of their fiduciary duties and their duty to act in accordance with applicable legislation.Records of directors' financial interests are kept and updated on an on-going basis. The Company engages its stakeholders on multiple levels and this allows the Company to manage issues effectively and timeously.The appropriate balance between the Company's various stakeholder groupings and the best interests of the Company is assessed on a continuous basis.The Company acts in accordance with the requirements of the Companies Act and the JSE Listings Requirements regarding the equitable treatment of shareholders. Stakeholders are kept apprised of the Company's performance by publication of the Integrated Report, the interim and year-end results announcements and, where required, trading updates. Management is responsible for maintaining stakeholder relationships.
Principle 17	**Responsibilities of institutional investors**
The Board of an institutional investor organisation should ensure that responsible investment is practices by the Company to promote the good governance and the creation of value by the companies which it serves	Not applicable as the Company is not an institutional investor organisation.

REMUNERATION REPORT

BACKGROUND STATEMENT

The board is still informing itself about the implications and the impact of the King IV Code on Corporate Governance (King IV) on the remuneration policy as well as the amended JSE Listing Requirements and present this report in two parts. The chairman's and CEO's reports provide context to the decisions and considerations taken during the reporting year which influenced the remuneration outcomes and will influence the remuneration going forward.

The board ensures that the company and the major subsidiary companies comply with the necessary principles as set out in the King Report on Governance for South Arica (King III and King IV, where applicable) and relevant sections of the Companies Act, 2008 (No. 71 of 2008) ("the Act") when determining the remuneration of the senior executives and non-executive directors.

Since the presentation of the summary of the last remuneration policy to shareholders no major changes were made. The board is in the process of establishing the key performance indicators (KPIs) which process commenced during 2018 and which are used for the measurement and determination of short- and long-term incentive awards in order to align these with the changing goals and strategies of the Company.

PART 1 – REMUNERATION POLICY

Remuneration Policy Summary:

The key principles of the Remuneration Policy are:

Objective

Under the overriding guidance of the Remuneration Committee, ensure the integrity, transparency and legitimacy of remuneration within the Group including, the development and implementation of related policies, programmes, practices and decisions.

Key Policy

1. Non-discriminatory practice - remuneration policy directives and practices will be free of unfair distinction.
2. Internal equity – transparent, equitable and consistent application.
3. External parity - competitive remuneration based on remuneration trends.
4. Performance based – direct link between remuneration and performance.
5. Motivation – integral component of employee motivation.

Consideration

1. Company viability – budgetary constraints as determined by the board.
2. Company performance – target achievement and wealth generation.
3. Retention of key skills.
4. Sustainability.
5. Career development.

Application

1. Cost to company – flexible total package structure.
2. Balance – basic salary vs performance reward.
3. Shares – implementation of appropriate share incentive scheme/s for management.

Directors' remuneration

1. Executive directors – determined by Remuneration Committee, ratified by the board.
2. Non-executive directors – determined by executive directors, approved by shareholders.

Going forward, a critical success factor of the Group will be its ability to attract, retain and motivate the entrepreneurial talent, design skills and logistics experience required to achieve positive operational outcomes, strategic objectives, and adherence to an ethical culture and good corporate citizenship. Both short- and long-term incentives will be used to this end.

Policy principles

The board evaluates and monitors the Group's remuneration philosophy and practices to ensure consistency with governance principles and corporate strategy. The board implements the approved remuneration policy to ensure:

- salary structures and policies motivate superior performance and are linked to realistic performance objectives that support sustainable long-term business growth
- stakeholders are able to make an informed assessment of reward practices and governance processes
- compliance with all applicable laws and regulatory codes.

REMUNERATION REPORT (Continued)

The Company is currently listed on the Venture Capital section of the Main Board and is thus currently required to have an Audit Committee, Social and Ethics Committee as well as a Remuneration Committee, with compliance required in terms of Section 3 of King IV.

Governance

Board responsibility

The board carries the ultimate responsibility for the remuneration policy. The board will, when required, refer matters for shareholder approval, for example:

- new share-based incentive schemes and their design; and
- non-executive board and committee fees.

The remuneration report, Part 1 and Part 2, will be put to non-binding shareholders' votes at the AGM of shareholders.

Role of benchmarking

Going forward, to ensure that the Group remains competitive in the markets in which it operates, all elements of remuneration will be subject to regular reviews against relevant market and peer data. Up until recently, the size and nature of the business did not make this practical.

Executive directors

Terms of service

The minimum terms and conditions applied to executive directors are governed by legislation. The notice period for these directors is one month. In exceptional situations of termination of the executive directors' services, the board (assisted by independent labour law legal advisers), will oversee the settlement of terms. Executive directors are not required to retire for re-election.

Elements of remuneration

The Group operates a total cost-to-company (CTC) philosophy whereby cash remuneration, benefits (including a defined contribution retirement fund, medical aid and other insured benefits) form part of the employees' fixed total CTC remuneration. Senior management and executive directors also participate in short-term incentives in the form of a performance bonus plan.

The Group views the executive directors as the current "prescribed officers" as defined in the Companies Act and therefore no separate remuneration policy disclosure for prescribed officers is necessary.

Summary of remuneration components for executive directors

As the Group grows, it will strive to remunerate its employees at market related salaries and the board will be guided by one or more appropriate annual salary surveys produced by Industry specialists.

The board will be considering incentive schemes, (long and short term in due course), to:

- Promote growth in quality sustainable earnings
- Align shareholder and management objectives
- Enhance the ability to recruit and retain key employees and management.

The structure and basis for Performance Based Incentives will be approved by the Board in due course, to be aligned with company strategy and current shareholder and management objectives.

Non-executive directors

Terms of service

Non-executive directors are appointed by the shareholders at the AGM. Interim board appointments are permitted between AGMs.

Appointments are made in accordance with Group policy. Interim appointees retire at the next AGM, when they may make themselves available for re-election.

In terms of the company's Memorandum of Incorporation one third of the non-executive directors may make him or herself available for re-election, provided that if a director is appointed as an executive director or as an employee of the company in any other capacity, he or she shall not, while he or she continues to hold that position or office, be subject to retirement by rotation and he or she shall not, in such case, be taken into account in determining the rotation or retirement of directors.

In addition, once a director has served for nine or more years, he or she may continue to serve in an independent capacity if the board concludes that the director exercises objective judgement and there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision making. This assessment must be made each year after nine years.

Fees

The Company does not currently pay competitive fees for the role due to the difficult trading conditions in prior years. The fees comprise and attendance fee for scheduled meetings, as tabled in Part 2 of this report. In addition, where non-executive directors are travelling from other Provinces, they are compensated for travel and subsistence on official business where necessary and to attend meetings. No contractual arrangements are entered into to compensate non-executive directors for the loss of office.

Non-executive directors do not receive short-term incentives nor do they participate in any long-term incentive schemes. The Group does not provide retirement contributions to non-executive directors.

Management proposes non-executive directors' fees to shareholders annually for shareholder vote.

Shareholder engagement

The Group's remuneration policy and the implementation thereof are placed before shareholders for consideration and approval under the terms of an advisory non-binding vote at the 31 August 2018 AGM as recommended by King IV.

In the event that 25% or more of the votes cast are recorded against either the remuneration policy resolution or the implementation resolution, then:

- Executive management will engage shareholders to ascertain the reasons for dissenting vote. Where considered appropriate, non-executive board members may participate in these engagements with selected shareholders; and
- Executive management will make specific recommendations to the board as to how the legitimate and reasonable objections of shareholders might be addressed, either in the Group's remuneration policy or through changes on how the remuneration policy is implemented.

Directors' interests in contracts

During the financial year, none of the current directors had a material interest in any contract of significance to which the Company or any of its subsidiaries were parties.

Non-binding advisory vote

Shareholders are requested to cast an advisory vote on the remuneration policy as contained in Part 1 of this report.

PART 2 – IMPLEMENTATION OF REMUNERATION POLICY

Executive director remuneration

Guaranteed pay – base pay and benefits

In determining the CTC increases for executive directors, the board considered the average increases to general staff and also used relevant market data.

In aggregate executive directors received a 0% increase. No short-term incentives were awarded.

Summary of executive directors guaranteed pay and short-term incentives

The remuneration paid to executive directors, while in office of the Company during the year ended 31 August 2018, is set out in note 36 of the Annual Financial Statements:

Short-term and long-term incentives 2019

Short-term and long-term criteria for performance measures and targets are to be set during the 2019 year.

Non-executive remuneration

The remuneration paid to non-executive directors while in office of the Company during the year ended 31 August 2018 is set out in note 36 of the annual Financial Statements.

Proposed non-executive directors' fees effective from 1 September 2018 are set out in Special Resolution Number 2:

The above fees are proposed net of VAT which may become payable thereon to directors, depending on the status of the individual director's tax position.

Refer to special resolution 2 in the notice of AGM for approval of the fees by shareholders in terms of section 66 of the Companies Act.

Non-binding advisory vote

Shareholders are requested to cast an advisory vote on the remuneration implementation report as contained in Part 2 of this report.

Approval

This remuneration report was approved by the board of directors of Labat.

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

Background

Labat's social and ethics committee (the committee) is a statutory committee which assists the board in monitoring the group's corporate citizenship, sustainability and ethics.

Labat is a local black owned and managed Investment holding company and was founded and incorporated in 1995 by Brian van Rooyen and Victor Labat and listed on the JSE in 1999 as one of the first listed BEE companies. Labat has been a major Government contractor providing consulting and related services since 1995. Labat has since inception successfully implemented many high-profile Government assignments.

Labat values its reputation and is committed to maintaining the highest level of ethical standards in the conduct of its business affairs. The actions and conduct of the company's staff as well as others acting on the company's behalf remains key to maintaining these standards.

It is in this regard and in accordance with the Companies Act, 2008 (No. 71 of 2008) as amended, Section 43(5) of the Companies Regulations ("Companies Act") and the King IV Report on Good Corporate Governance that a Social and Ethics Committee ("the committee") was established by the board to consider and monitor the moral and ethical conscience of Labat.

This report is presented in accordance with the requirements of the Companies Act and forms part of the Integrated Report.

Composition and functioning

The social and ethics committee consists of the following directors as at 31 August 2018:

Member	Date of appointment	Attendance for the period under review
RM Majiedt (Chairperson)	28 February 2012	100%
R Mohamed	30 May 2017	100%
DJ O'Neill	27 January 2011	100%

The committee receives feedback from management on other committees and will report on any significant matters to the board in terms of its mandate. The members of the committee are nominated and appointed by the board.

Role of the committee

The committee acts in terms of the delegated authority of the board and assists the directors in monitoring the group's activities and disclosures in terms of legislation, regulation and codes of best practices relating to:

- ethics;
- sustainable development and sustainability;
- stakeholder engagement, including employees, customers, suppliers, communities and the environment; and
- strategic empowerment and transformation.

The committee has subsequently approved a Code of Ethics that reflects the Company's core values and also embraces the principles as set out in King IV, where applicable.

Responsibilities of the committee

The responsibilities of the committee are as follows:

- monitor activities relating to social and economic development, good corporate citizenship, the environment, and health and public safety;
- ensure appropriate short, medium and long-term targets are set by management;
- monitor progress on strategic empowerment and performance against targets;
- monitor changes in the application and interpretation of empowerment charters and codes; and
- monitor functions required in terms of the Companies Act and its regulations.

The remaining board members are encouraged to attend committee meetings as invitees. The committee met once during the year under review. Attendance at committee meetings is detailed on page 10 of the Integrated Report and fees paid to committee members for 2018 and proposed for 2019 are detailed on pages 70 and 83 of the Integrated Report.

The committee has not been assessed during the year ended 2018. An assessment will be done during 2019 as part of the biennial board and committee self-evaluation process.

Activities of the committee

The responsibilities and functions of the committee which are aligned with the committee's statutory functions as set out in the Companies Act formed the basis of the work plan for 2018. These activities are as follows: -

To monitor the company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

- Social and economic development, including the company's standing in terms of the goals and purposes of:
  - (aa) the 10 principles set out in the United Nations Labat Compact Principles ("UNGCP");
  - (bb) the Organisation for Economic Co-operation and Development ("OECD") recommendations regarding corruption;
  - (cc) the Employment Equity Act; and
  - (dd) the Broad-Based Black Economic Empowerment Act.
- Good corporate citizenship, including the company's:
  - (aa) promotion of equality, prevention of unfair discrimination, and reduction of corruption;
  - (bb) contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
  - (cc) record of sponsorship, donations and charitable giving.
- The environment, health and public safety, including the impact of the company's activities and of its products or services.
- Consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws; and
- Labour and employment, including:
  - (aa) the company's standing in terms of the International Labour Organization Protocol on decent work and working conditions;
  - (bb) the company's employment relationships and its contribution toward the educational development of its employees;
  - (cc) to draw matters within its mandate to the attention of the board as occasion requires; and
  - (dd) to report, through one of its members, to shareholders at the company's annual general meeting on the matters within its mandate.

During the year under review the committee attended to the matters relating to the work plan above and reported to the board. Labat has realised that the monitoring of the above and conforming to the above will be ongoing work in progress within the company structure.

However, Labat has also adhered to the following matters, as mentioned above, with formal policies being implemented to address these: -

- Social and economic development. Labat adheres to the principles set out in the UNGCP and the OECD recommendations on corruption. Labat meets the labour law requirements of the Employment Equity Act (No. 55 of 1988) and has formal policies on bribery and corruption and protected disclosures.
- Good corporate citizenship. Labat subscribes to the provisions of the Promotion of Equality and Prevention of Unfair Discrimination Act. No incidents have been reported.
- The environment, health and public safety. Labat subscribes to and is compliant with the Occupational Health and Safety Act. No incidents have been reported during the period.
- Consumer relations. Labat subscribes to and is compliant with the Consumer Protection Act (No. 68 of 2008). No incidents have been reported.
- PAIA. The Company is compliant with the requirements of the Promotion of Access to Information Act, No. 2 of 2000. No requests for information were received during the year under review.
- Protection of Personal Information. Labat subscribes to and is compliant with the Protection of Personal Information Act (No. 4 of 2013). No incidents have been reported.

- Labour and employment. Labat supports and adheres to the terms of the International Labour Organisation Protocol. Labat is compliant with the following acts:
  - Basic Conditions of Employment Act No. 75 of 1997;
  - Labour Relations Act No. 66 of 1995;
  - Skills and Development Levies Act No. 9 of 1999; and
  - the Unemployment Insurance Act No. 63 of 2001.

Other than as specifically stated above, no incidents have been reported during the period with regards to compliance.

Public reporting and assurance

The committee, together with the Audit and Risk Committee, is responsible for reviewing and approving the sustainability content included in the Integrated Annual Report and published on the Company's website, as well as determining and making recommendations on the need for external assurance of the Group's public reporting on its sustainable performance. The committee has reviewed the content of the abridged Sustainability Report included in the Integrated Annual Report and has recommended it for approval by the Board.

The committee is also required to report through one of its members to the Company's shareholders on the matters within its mandate at the Company's Annual General Meeting to be held on Friday, 26 February 2019. The committee has elected to provide this written report to be included in the Integrated Report as opposed to reporting verbally at the Annual General Meeting.

In the notice of the Annual General Meeting included in the Integrated Annual Report on page 79, shareholders are referred to this report by the committee, read with the Sustainability Report. Any specific questions to the committee may be sent to the Company Secretary prior to the meeting.

Rowena Majiedt
Chairperson

31 January 2019

REPORT OF THE AUDIT AND RISK COMMITTEE

for the period ended 31 August 2018

Introduction

The Board of Directors ("the Board") has a combined audit and risk committee ("the Audit Committee" or "the Committee") due to the nature and current size of the Company.

The report of the Audit Committee is presented as required by Section 61(8)(a)(iii) of the Companies Act, 2008 (No. 71 of 2008) ("the Act") and has been prepared in accordance with Section 94.7(f).

The Audit Committee is constituted as a statutory committee of Labat Africa Limited ("Labat") or "the Company") in respect of its statutory duties in terms of section 94.7 of the Act and a committee of the Board in regard to all other duties assigned to it by the Board of Directors of the Company.

Composition

The Audit Committee consists of the following non–executive directors for the 12 months ended 31 August 2018 and to the date of this report:

Member	Date of appointment	Attendance for the period under review
R Mohamed (Chairman)#	30 May 2017	100%
RM Majiedt #	28 February 2012	100%
BA Penny #	30 November 2017	100%

- independent

The Chairman of the Board is a member of the Audit Committee but is not the Chairman of the Audit Committee.

The Board has approved the Audit Committee terms of reference and is satisfied that Audit Committee members have recent and relevant financial experience to carry out their duties and responsibilities.

The Committee also oversees the relationship between management and the external auditors and serves as a link between the Board and these functions. The Committee is satisfied that it has complied with its legal, regulatory and other responsibilities.

STATEMENT OF AUDIT COMMITTEE RESPONSIBILITIES FOR THE YEAR ENDED 31 AUGUST 2018

Role and work of the Audit Committee

The role of the Audit Committee is to assist the Board by performing an objective and independent review of the functioning of the organisation's finance and accounting control mechanisms. It exercises its functions through close interaction and communication with management and the external auditors.

The Chief Executive Officer, Financial Director and other members of management attend Audit Committee meetings as necessary, at the invitation of the Chairman of the Audit Committee. In addition, other non-executive directors, if additional directors are appointed, will be extended an invitation to attend the Audit and Risk Committee meetings.

Audit Committee Terms of Reference

The Committee is guided by its terms of reference, dealing with membership, structure and levels of authority and has the following responsibilities:

- ensuring compliance with applicable legislation and the requirements of regulatory authorities;
- nominating for appointment a registered auditor who, in the opinion of the Audit Committee, is independent of the Company;
- review of matters relating to financial accounting, accounting policies, reporting and disclosure;
- review/approval of external audit plans, findings, reports, fees and determination and approval of any non-audit services that the auditor may provide to the Company and Group;
- review/consideration of expertise and experience of the financial director and the finance team;
- compliance with the Charter; and
- compliance with the Company's code of ethics.
-

REPORT OF THE AUDIT AND RISK COMMITTEE

for the period ended 31 August 2018

Role regarding the external auditor and external audit

The role of the Audit Committee relating to the external auditor and external audit is prescribed by Chapter 94 of the Act and further guidance is provided by the King IV and the JSE Listings Requirements. In summary the Audit Committee is required to:

- make recommendations to the Board, for it to put to the shareholders for their approval in a general meeting, in relation to the appointment, re-appointment and removal of the external auditor;
- approve the remuneration and terms of engagement of the external auditor;
- review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process; and
- develop and implement policy on the engagement of the external auditor to supply non-audit services.

One of these responsibilities is the assessment of the independence of the auditor. The Committee is satisfied that the auditor is independent of the Company. It has further satisfied itself that the audit firm and designated auditor are accredited to appear on the Johannesburg Stock Exchange list of accredited auditors. The Audit Committee has also reviewed the relevant documentation to consider the suitability of the audit firm and designated auditor as stipulated in paragraph 3.84(h)(iii) of the JSE Listings Requirements, noting further that the audit partner, Mr Aneel Darmalingam, is the designated partner, subject to the approval of Labat's shareholders at the Annual General Meeting.

The Committee reviewed the detailed audit report and findings in respect of the Annual Financial Statements audit for the year ended 31 August 2018 as presented by SAB&T Nexia Inc on 31 January 2019. The Committee is satisfied that SAB&T Nexia Inc. is independent of the Company and the effectiveness and performance of the external auditor from the Committee's perspective was confirmed. No serious matters of concern regarding the performance of the external auditors were brought to the attention of the Committee.

Non-audit services provided by the external auditors must be in compliance with an approved policy. There were no non-audit services provided during the year under review.

Internal financial controls

The Committee is of the opinion that Labat's system of internal financial controls and financial reporting procedures continue to be effective and operating and forms a basis for the preparation of reliable financial statements.

Mr David O'Neill was the Financial Director during the year under review. With the acquisition of Force Fuel Proprietary Limited ("Force Fuel"), the appointment of a new Financial Director, Mr Gorden Walters, with effect from 1 September 2018 was made, which is expected to further strengthen the finance team and internal controls.

The Company has not appointed an internal auditor based on the size of the Company, the system of internal financial controls and considering information and explanations given by management, together with discussions held with the external auditors on the results of their audit. The consideration of internal audit is a standing agenda item for the Audit Committee meetings scheduled during the year.

Compliance

The Committee reviewed with management, legal matters that could have a material financial impact on the Group. It also assessed compliance with all other statutory duties under section 94(7) of the Companies Act, King IV and JSE Listings Requirements.

Expertise and experience of the financial function

The Committee has considered the competence, qualifications and experience of the outgoing and incoming Financial Director in terms of section 3.84(h) of the JSE Listing Requirements.

The Committee is also satisfied as to the expertise and experience of the two financial directors and the finance team. Management has reviewed the financial statements with the audit committee and the Audit Committee has reviewed them without management or external auditors being present. The quality of the accounting policies as well as any audit issues are discussed with the external auditors.

REPORT OF THE AUDIT AND RISK COMMITTEE

for the period ended 31 August 2018

Review of financial statements

The financial statements were prepared jointly by the outgoing and incoming Financial Director in accordance with applicable legislation and accounting framework and submitted to the Audit Committee for review prior to submission to the Board for approval.

As stipulated in the Companies Act, Chapter 94(7)(f), the committee has reviewed the accounting policies and practices applied by the Group and is satisfied that the financial statements were prepared on the basis of appropriate, relevant accounting policies, International Financial Reporting Standards (IFRS) and applicable statutory and regulatory guidelines.

The Committee considered all aspects where significant judgments and estimates were involved in the preparation of the annual financial statements that could have a material impact on those financial statements.

The Committee has considered the Integrated Report and assessed its consistency with operational, financial and other information known to committee members, and for consistency with the Annual Financial Statements. The Committee is satisfied that the integrated report is materially accurate, complete and reliable, and consistent with the AFS. On Thursday, 31 January 2019, the Committee recommended the integrated report for the year ended 31 August 2018 for approval by the Board.

Approval of report

The Committee confirms from 1 September 2017 to 31 August 2018 that they have functioned in accordance with their terms of reference and as required by the Act and that the report has been approved by the Directors of the Board.

Approval of financial statements

The Audit Committee reviewed and recommended the financial statements for approval by the Board of Directors and considers the financial statements of Labat Africa Limited and its subsidiaries to be a fair presentation of its financial position on 31 August 2018 and of the results of the operations, changes in equity and cash flows for the period then ended, in accordance with International Financial Reporting Standards, the Act and the JSE Listing Requirements.

Conclusion

The Committee is satisfied that it has executed its duties and responsibilities during the year in line with its terms of reference, the companies Act section 94.7, King IV and section 3.84(g) of the JSE Listings requirements.

Rustum Mohamed
Chairman

31 January 2019

COMPANY SECRETARY'S REPORT

In our capacity as Company Secretary, we hereby confirm in terms of Section 88(2) (e) of the Companies Act, that for the twelve months ended 31 August 2018, the Group has lodged with the Companies and Intellectual Property Commission all such returns as required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Arbor Capital Company Secretarial Proprietary Limited
COMPANY SECRETARY

31 January 2019

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Provision of quality management, business and retail services
Directors	B. G. van Rooyen D. J. O'Neill R. Majiedt R. Mohamed B. Penny
Registered office	23 Kroton Avenue Weltevreden Park Roodepoort 1709
Postal address	Private Bag X09-248 Weltevreden Park Roodepoort 1715
Bankers	ABSA Bank Limited
Auditors	Nexia SAB&T Registered Auditors
Company secretary	Arbor Capital Company Secretarial Proprietary Limited
Company registration number	1986/001616/06
Level of assurance	These consolidated and separate annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Date of pubication	31 January 2019
Preparer	The consolidated and separate annual financial statements were internally compiled by: Gorden Walters (B.Com Accounting (Hons)) Financial Director

ANNUAL FINANCIAL STATEMENTS

The reports and statements set out below comprise the consolidated and separate annual financial statements presented to the shareholders:

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of the group as at the end of the financial period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated and separate annual financial statements.

The consolidated and separate annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the foreseeable future and, in light of this review and the current financial position, they are satisfied that the group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group's consolidated and separate annual financial statements. The consolidated and separate annual financial statements have been examined by the group's external auditors and their report is presented on pages 33 to 35.

The consolidated and separate annual financial statements set out on pages 40 to 77, which have been prepared on the going concern basis, were approved by the board on 31 January 2019 and were signed on its behalf by:

Brian van Rooyen
CHIEF EXECUTIVE OFFICER

Gorden Walters
FINANCIAL DIRECTOR

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Labat Africa Limited

Report on the Audit of the Consolidated and Separate Annual Financial Statements

Opinion

We have audited the consolidated and separate annual financial statements of Labat Africa Limited and its subsidiaries (the Group) as set out on pages 40 to 77, which comprise the consolidated and separate statements of financial position as at 31 August 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate annual financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 31 August 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated and separate annual financial statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate annual financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	**How our audit addressed the key audit matter**
Recoverability of deferred tax assets (Group)	
The group recognised R8.35 million (2017: R8.40 million) of deferred tax assets as disclosed in the consolidated and separate annual financial statements. We identified the recoverability of deferred tax assets as a key audit matter due to the recognition of these assets involving judgement by management as to the likelihood of the realisation of these deferred tax assets, which is based on a number of factors, including whether there will be sufficient taxable income in future periods to support the recognition.	Our procedures in relation to management's assessment about the recoverability of deferred tax assets included: • Recalculating the deferred tax asset calculations to confirm the accuracy thereof; • Evaluating management's assessment on the sufficiency of future taxable income in support of the recognition of the deferred tax assets by comparing management's forecasts of future taxable income to historical results and evaluating the assumptions used in those forecasts; and • Obtaining the communications between the group and taxation authorities regarding the tax positions. We found that the basis of recognition of the deferred tax assets were appropriate in the circumstances. We consider the disclosure of the deferred taxation assets to be acceptable.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate annual financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate annual financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate annual financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate annual financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate annual financial statements, including the disclosures, and whether the consolidated and separate annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate annual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of Labat Africa Limited for 7 years.

Nexia SABAT

Nexia SAB&T
Per Director: A Darmalingam
Registered Auditor

31 January 2019

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the consolidated and separate annual financial statements of Labat Africa Limited and its subsidiary for the year ended 31 August 2018.

1. **Review of activities**

The company is an investment holding company, which, through its subsidiary, is engaged in its main business during the period under review, being the design and marketing of integrated circuits. During the current year the group continued to expand operations in the logistics sector, securing several new contracts with large mining houses.

The operating results and state of affairs of the company are fully set out in the attached consolidated and seperate annual financial statements.

2. **Financial results**

Revenue increased by 41% to R73.3m for the year ended 31 August 2018 from R52m in the year ended 31 August 2017. This substantial increase is primarily due to revenue generated in the logistics business. The company has won some lucrative new logistics contracts. Gross profit increased by 26% from R11.4m to R14.4m. Whilst the gross margin percentage from the logistics segment is lower than that of the South African Micro Electronic Systems (Pty) Ltd electronic chip business, the growth in Labat Africa Limited's logistics business has been very satisfactory.

Other income has increased substantially to R6.4m for the year under review from R1.0m in the prior year. This income primarily relates to transaction fees raised on the Force Fuel (Pty) Ltd acquisition effective from 1 September 2018. Operating expenses increased to R20.8m from R14.3m from the prior year. This included substantial start-up costs and provision for executive director's remuneration. The group made a negligible operating loss of R23k for the year compared to an operating loss of R1.9m in the previous year.

The Company realised R13.7m (2017: R6.5m) of investment income in the current year, which arose from interest receivable from overdue SARS receivables. Finance costs of R1.1m were higher during the year under review due to factoring facilities taken out during the year to assist with the rapid growth of the logistics business and interest incurred on the finance leases from the leasing of 8 trucks and 8 trailers, emanating from the Labat-Kufika transaction, subsequent to the dissolution thereof.

Profit before taxation of R12.6m was attained for the year ended 31 August 2018 against the prior year of R4.1m, a tax charge of R25 029 resulted in a profit after taxation of R12.6m.

Full details of the financial position, results of operations and cash flows of the group are set out in these consolidated and separate annual financial statements.

3. **Going concern**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The going concern has been comprehensively dealt with in note 5 of the chief executive officer's report and in note 39 of these consolidated annual financial statements.

4. **Acquisitions and Disposals**

Force Fuel

Subsequent to year end, the Group entered into high-level terms with the shareholders of Force Fuel Proprietary Limited ("Force Fuel") and Force Fuel Properties Limited ("FFP") ("the Sellers"), in terms of which Labat acquired the shares of Force Fuel and FFP ("the Acquisition") in return for the issue of 30 000 000 shares at R1.00 per share in Labat. The shareholders for Force Fuel and FFP comprised of Chronos Logistics Services (Pty) Ltd and Main Street 1384 (Pty) Ltd, which in turn were owned by several shareholders, the largest shareholders being the Bakubung Share Trust (associated with Tebogo Mogapi) and SG Share Trust (associated with Melvin Watkins) holding 21.67% each.

Force Fuel is a company which specializes in the sales and distribution of bulk fuel products in and around the province of Gauteng. Fuel transportation is facilitated by an extensive fleet of tanker trucks and there is no upper limit on order quantities.

FFP is a property holding company from which Force Fuel operates.

The Acquisition was subject to the fulfilment of certain suspensive conditions. The effective date of the acquisition is the 1 September 2018. The Acquisition will assist Labat in its quest to become a major player in the logistics and distribution business. In addition, the Acquisition will further contribute towards Labat's BBBEE rating.

5. **Events after the reporting period**

An agreement was reached to finalise the Labat-Kufika relationship as follows: Kufika and the Aucamp brothers will take over the remaining trucks and trailers and release Labat from any sureties outstanding on these vehicles as a full and final settlement.

The Company also acquired Force Fuel (Pty) Ltd as disclosed under the Acquisitions and Disposals section of the financial results.

The Group entered into guarantee agreements with various third party suppliers of Force Fuel (Pty) Ltd in the amount of R110 million.

6. **Share capital**

A special resolution for the increase of additional shares to the authorised share capital of the company of 700 000 000 has been incorporated into the AGM notice for approval by shareholders. This is to assist the company with any share issues under its general authority as well as potential acquisitions.

7. **Dividends**

The company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the board may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board may pass on the payment of dividends.

No dividends were declared or paid to shareholders during the period under review.

8. **Directorate**

The directors in office at the date of this report are as follows:

Name	Nationality	Designation
BG van Rooyen	South African	Executive director
DJ O'Neill	Irish	Executive director
NS Mogapi (*)	South African	Executive director
GRI Walters (*)	South African	Executive director
RM Majiedt	South African	Independent nonexecutive director
R Mohamed	South African	Independent non-executive director
BA Penny	South African	Independent non-executive director

(*) Appointed on 1 September 2018

9. **Secretary**

The company secretary is Arbor Capital Company Secretarial Proprietary Limited.

Business address:
20 Stirrup Lane,
Woodmead Office Park
Woodmead

Interests in subsidiaries

Details of material interests in subsidiary companies are presented in the consolidated and separate annual financial statements in note 5.

The interest of the group in the profits and losses of its subsidiary for the year ended 31 August 2018 are as follows:

Name of subsidiary	Profit after tax 2018	Profit after Tax 2017
South African Micro Electronic Systems (Pty) Ltd	15 309 356	9 049 977
SAMES Properties (Pty) Ltd	-	-

DIRECTORS' REPORT

10. **Auditors**

Nexia SAB&T continued in office as auditors for the company and its subsidiaries for 2018.

At the AGM, the shareholders will be requested to reappoint Nexia SAB&T as the independent external auditors of the company and to confirm Mr A. Darmalingam as the designated lead audit partner for the 2019 financial year.

11. **Borrowing powers**

In terms of the Memorandum of Incorporation, the borrowing powers of the group are unlimited. However, all borrowings by the group are subject to board approval as required by the board delegation of authority.

12. **Major shareholding**

Details of the major shareholders are provided in the shareholder analysis contained within the Annual Report.

13. **Special resolutions**

At the Company's annual general meeting held on 15 May 2018, the following special resolutions were passed:

- Authority to issue shares that may exceed 30% of the voting power of the current issued share capital.
- Non-Executive Directors' Remuneration.
- General authority to enter into funding agreements, provide loans or other financial assistance.
- General authority to repurchase the Company's securities.

As at the date of the report no repurchase in terms of the special resolution had been made. No special resolutions were passed at a subsidiary level.

Brian van Rooyen
Chief Executive Officer
31 January 2019

Gorden Walters
Financial Director

FINANCIAL STATEMENTS

The financial statements have been prepared by Labat's Financial Director: David O'Neill with assistance from Gorden Walters.

The consolidated and company financial statements have been audited in compliance with the applicable requirements of the Companies Act and the JSE Limited Listings Requirements ("JSE Listings Requirements").

The above financial statements and group financial statements were approved by the board of directors of Labat Africa Limited on 31 January 2019 and are signed on its behalf.

Brian van Rooyen
Chief Executive Officer

31 January 2019

Gorden Walters
Financial Director

STATEMENTS OF FINANCIAL POSITION

as at 31 August 2018

Figures in Rand	Note(s)	Group 2018	Group 2017	Company 2018	Company 2017
Assets					
Non-Current Assets					
Property, plant and equipment	3	13 578 913	1 867 124	12 579 857	859 203
Intangible assets	4	3 028 727	1 421 720	-	-
Investments in subsidiaries	5	-	-	202 070	202 070
Deferred tax	6	8 364 072	8 389 102		-
		24 971 712	**11 677 946**	**12 781 927**	**1 061 273**
Current Assets					
Inventories	7	3 689 206	2 587 515	-	-
Other financial assets	9	-	714 783	-	704 860
Taxation	10	17 363 157	3 069 623	-	-
Trade and other receivables	11	10 445 023	18 576 791	12 163 371	16 757 079
Cash and cash equivalents	12	6 435 313	9 226 430	757 617	4 869 390
		37 932 699	**34 175 142**	**12 920 988**	**22 331 329**
Total Assets		**62 904 411**	**45 853 088**	**25 702 915**	**23 392 602**
Equity and Liabilities					
Equity					
Share capital	13/14	59 884 402	59 884 402	60 365 905	60 365 905
Reserves	15/16	257 268	300 146	34 363 710	33 721 355
Accumulated loss		(35 310 755)	(47 938 364)	(105 868 327)	(103 153 633)
		24 830 915	**12 246 184**	**(11 138 712)**	**(9 066 372)**
Liabilities					
Non-Current Liabilities					
Finance lease liabilities	17	6 965 174	715 595	6 965 174	715 595
Current Liabilities					
Loans from subsidiaries	18		-	318 252	318 252
Loans from directors	8	1 928 606	399 006	1 928 606	399 006
Finance lease liabilities	17	4 930 290	173 653	4 930 290	173 653
Taxation	10	3 530 509	361 149	3 338 260	168 900
Trade and other payables	19	7 944 402	22 764 247	7 022 580	21 827 567
Provisions	20	12 774 515	9 193 254	12 338 465	8 856 002
		31 108 322	**32 891 309**	**29 876 453**	**31 743 380**
Total Liabilities		**38 073 496**	**33 606 904**	**36 841 627**	**32 458 975**
Total Equity and Liabilities		**62 904 411**	**45 853 088**	**25 702 915**	**23 392 602**

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

as at 31 August 2018

Figures in Rand	Note(s)	Group 2018	Group 2017	Company 2018	Company 2017
Revenue	21	73 347 018	52 010 600	63 513 386	42 593 897
Cost of sales	22	(58 962 778)	(40 616 604)	(54 998 281)	(37 219 160)
Gross profit		**14 384 240**	**11 393 996**	**8 515 105**	**5 374 737**
Other income	23	6 447 214	1 026 100	5 752 629	22 623
Operating expenses		(20 808 345)	(14 310 422)	(15 876 601)	(9 375 627)
Operating profit (loss)	24	**23 109**	**(1 890 326)**	**(1 608 867)**	**(3 978 267)**
Finance income	25	13 693 045	6 474 251	-	5 001
Finance costs	26	(1 106 393)	(434 868)	(1 105 828)	(434 868)
Profit (Loss) before taxation		**12 609 761**	**4 149 057**	**(2 714 695)**	**(4 408 134)**
Taxation	27	(25 029)	492 786	-	-
Profit (loss) for the year		**12 584 732**	**4 641 843**	**(2 714 695)**	**(4 408 134)**
Total comprehensive income (loss) for the year		**12 584 732**	**4 641 843**	**(2 714 695)**	**(4 408 134)**
Profit (loss) attributable to:					
Owners of the parent:					
Profit/(loss) for the period		12 584 732	4 641 843	(2 714 695)	(4 408 134)
Per share information					
Basic/Diluted earnings per share (Cents)	28	4.86	1.81		-

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STATEMENT OF CHANGES IN EQUITY

as at 31 August 2018

	Share capital	Share premium	Total share capital
Group			
Balance at 01 September 2016	**2 110 520**	**56 795 402**	**58 905 922**
Profit for the year	-	-	-
Total comprehensive income for the year	-	-	-
Issue of shares	28 866	949 614	978 480
Realisation of revaluation reserve	-	-	-
Balance at 01 September 2017	**2 139 386**	**57 745 016**	**59 884 402**
Profit for the year	-	-	-
Total comprehensive income for the year	-	-	-
Realisation of revaluation reserve	-	-	-
Balance at 31 August 2018	**2 139 386**	**57 745 016**	**59 884 402**
Note(s)	13	13	13

	Share capital	Share premium	Total share capital
Company			
Balance at 01 September 2016	**2 592 023**	**56 795 402**	**59 387 425**
Loss for the year	-	-	-
Total comprehensive loss for the year	-	-	-
Issue of shares	28 866	949 614	978 480
Capital contribution	-	-	-
Balance at 01 September 2017	**2 620 889**	**57 745 016**	**60 365 905**
Loss for the year			
Total comprehensive loss for the year	-	-	-
Capital contributions	-	-	-
Balance at 31 August 2018	**2 620 889**	**57 745 016**	**60 365 905**
Note(s)	13	13	13

Revaluation reserves	Non distributable reserves - Capital contribution	Accumulated loss	Total equity and reserves
343 024	**-**	**(52 623 085)**	**6 625 861**
-	-	4 641 843	4 641 843
-	-	**4 641 843**	**4 641 843**
-	-	-	978 480
(42 878)	-	42 878	-
300 146	**-**	**(47 938 364)**	**12 246 184**
-	-	12 584 732	12 584 732
		12 584 732	**12 584 732**
(42 878)	-	42 878	-
257 268	**-**	**(35 310 754)**	**24 830 916**
15	16	29	
-	**29 702 260**	**(98 745 499)**	**(9 655 814)**
-	-	(4 408 134)	(4 408 134)
-	-	(4 408 134)	(4 408 134)
-	-	-	978 480
-	4 019 095	-	4 019 095
-	**33 721 355**	**(103 153 633)**	**(9 066 373)**
		(2 714 695)	(2 714 695)
-	**-**	**(2 714 695)**	**(2 714 695)**
-	642 355	-	642 355
-	**34 363 710**	**(105 868 327)**	**(11 138 712)**
	16		

STATEMENTS OF CASH FLOWS

as at 31 August 2018

	Note(s)	Group 2018	Group 2017	Company 2018	Company 2017
Cash flows from operating activities					
Cash (used in) generated from operations	29	**(514 665)**	**2 090 462**	**(4 321 911)**	**947 823**
Finance income		-	45 940	-	141
Finance costs		(914 818)	(183 383)	(914 818)	(183 383)
Net cash from operating activities		**(1 429 483)**	**1 953 019**	**(5 236 729)**	**764 581**
Cash flows from investing activities					
Purchase of property, plant and equipment		(247 150)	(53 433)	-	-
Purchase of intangible assets		(1 607 007)	(1 421 720)	-	-
Proceeds from disposal of other financial assets		2 201 133	-	2 191 210	-
Advances of other financial assets		(1 486 350)	(700 000)	(1 486 350)	(700 000)
Repayment of loans to directors and shareholders			85 000	-	85 000
Net cash from investing activities		**(1 139 374)**	**(2 090 153)**	**704 860**	**(615 000)**
Cash flows from financing activities					
Proceeds on share issue		-	505 000	-	505 000
Finance lease payments	30	(1 314 260)	(170 730)	(1 314 260)	(170 730)
Proceeds of loans from directors	31	1 470 000	-	1 470 000	-
Repayment of loans from directors	31	(378 000)	(251 000)	(378 000)	(251 000)
Receipt of loans from group company	32	-	-	668 224	4 019 095
Repayment of loans from group company	32	-	-	(25 869)	-
Net cash from financing activities		(222 260)	**83 270**	(420 095)	**4 102 365**
Total cash movement for the year		**(2 791 117)**	**(53 864)**	**(4 111 774)**	**4 251 946**
Cash at the beginning of the year		9 226 430	9 280 294	4 869 390	617 444
Total cash at end of the year	12	**6 435 313**	**9 226 430**	**757 671**	**4 869 390**

ACCOUNTING POLICIES

ACCOUNTING POLICIES

1. Presentation of Consolidated Annual Financial Statements

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards, the Financial Reporting Guides issued by the Accounting Practices Committee of the South African Institute of Chartered Accountants, the Companies Act of South Africa, and the Listing Requirements of the JSE Limited.

The consolidated annual financial statements have been prepared on the historical cost basis, except for the measurement of other financial assets and plant and equipment which are measured at fair value, and incorporate the following principal accounting policies set out below. They are presented in South African Rand.

These accounting policies are consistent with the previous financial statements except for the adoption of new standards and interpretations which became effective in the current year. Refer to note 2.

1.1 Consolidation

Basis of consolidation of subsidiary

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

Inter company transactions, balances and unrealised gains on transactions between the group companies are eliminated. Unrealised losses are also eliminated.

1.2 Property, plant and equipment

Property, plant and equipment are initially recognised at cost.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Plant and machinery is stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that would be determined using fair value at the reporting date. Any revaluation is credited to the asset revaluation reserve, net of deferred tax. The revaluation reserve is realised directly in equity over the useful life of the revalued plant and equipment.

All other assets are stated at their cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the costs of the item can be measured reliably.

1.2 Property, plant and equipment (continued)

The depreciation is calculated at rates considered appropriate to recognise the cost of the asset less residual value over their estimated useful life on the straight-line basis.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation Method	Average useful life
Leasehold property	Straight line	Lease term
Plant and machinery	Straight line	3 – 8 Years
Furniture, fittings and office equipment	Straight line	3 – 10 Years
Trucks and trailers	Straight line	3 - 4 Years
Computer equipment	Straight line	3 5 Years

The useful economic lives, depreciation method and residual values of items of property, plant and equipment are estimated annually. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate as per IAS8. The actual lives, depreciation methods and residual values may vary depending on a variety of factors and circumstances.

1.3 Investments in subsidiaries

Company annual financial statements

In the Company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

1.4 Intangible Assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets under development are classified as such until the asset is ready for use at which point amortisation will commence.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use orsell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

ACCOUNTING POLICIES

1.5 Financial instruments

(i) Financial assets

Initial recognition

The group initially recognises financial assets on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the group becomes a party to the contractual provisions of the instruments.

Derecognition

The group derecognises a financial asset when the contractual rights to the cash flow from the asset expire, or it transfers the rights to receive the contractual cash flow in transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred.

Classification

The group classifies financial assets into the following categories:

- Financial assets at fair value through profit or loss; and
- Loans and receivables.

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. As such these are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Loans and receivables comprise:

- Cash and cash equivalents;
- Trade and other receivables; and
- Other financial assets..

1.5 Financial instruments (continued)

(ii) Financial liabilities

Initial recognition

The Group initially recognises financial liabilities on the date they are originated, all other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instruments.

Derecognition

Financial liabilities are derecognised when its contractual obligations are discharged or cancelled or expire.

Classification

The group classifies financial liabilities into the following category:

- Financial liabilities at amortised cost

Financial liabilities comprises:

- Loans from directors;
- Financial lease liabilities;
- Loans from subsidiaries; and
- Trade and other payables.

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition.

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

(iii) Share Capital

Ordinary shares

Ordinary shares are classified as equity.

Treasury shares

The group operated a share incentive scheme under which employees had the option to purchase shares in the Company. Shares in the share incentive scheme have been converted into treasury shares.

Non distributable reserve – Capital contribution

Loans acquired at a discount as a result of business combinations have been accounted for as capital contribution in the holding company and is included in non distributable reserves.

(iv) Impairment of financial assets

Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ('a loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit (loss). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

1.6 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction.

A deferred tax asset is measured at the tax rate that is expected to apply to the period when the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.7 Leases

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Operating leases – lessee

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating lease payments are recognised as an expense on a straightline basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability.

1.8 Inventories

Inventories compromising merchandise for resale and raw materials and is valued at the lower of cost determined on a unit cost basis and net realisable value. Raw materials, consumables, work in progress and finished goods are valued at the lower of cost and net realisable value on a firstin firstout basis. Work in progress and finished goods include an allocation of fixed direct overheads based on normal levels of capacity. When necessary, allowance is made for obsolete, slow moving and defective inventories. The allowance for slow moving inventory is made based on the reliable evidence of the amount the inventories are expected to realise considering price fluctuations, possible damage to stock, technological obsolescence and previous sales trends.

1.9 Impairment of nonfinancial assets

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, the recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

1.10 Employee benefits

Shortterm employee benefits

The cost of shortterm employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and nonmonetary benefits such as medical aid), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of nonaccumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

The Company and its subsidiaries contribute to defined contribution retirement plans. A defined contribution plan is a pension plan under which the group pays fixed contribution into a separate account and will have no legal or construction obligation to pay further contributions if the funds do not hold sufficient assets to pay all employee's benefits relating to employee service in the current and prior period.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

ACCOUNTING POLICIES

1.11 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

1.12 Revenue

Revenue is measured at the fair value of the consideration received or receivable. The group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below. The group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of goods

Revenue from sale of goods, net of returns, is brought to account when risks and rewards are transferred to the customer.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Rendering of services

Rendering of services consist of management fees and logistics services. For rendering of services, revenue is recognised in the accounting period in which the services are rendered. Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by services performed to date as a percentage of total services to be performed in accordance with the predetermined deliverable obligations.

(iii) Finance income

Interest is recognised, in profit or loss, using the effective interest rate method.

1.13 Finance costs

All finance costs are recognised as an expense in the period in which they are incurred.

ACCOUNTING POLICIES

1.14 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated annual financial statements are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.15 Statement of Cash Flows

The statement of cash flows is prepared on the indirect method.

1.16 Segment reporting

The group determines and presents segments based on the information that is internally provided to the Chief Executive Officer, who is the chief operating decision maker.

An operating segment is a component of the Group that:

- engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components;
- whose operating results are regularly reviewed by the Chief Executive Officer; and
- for which financial information is available

No secondary geographical segment analysis has been included as geographical location does not play a significant role in the group's operations and thus this information will not be beneficial.

1.17 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributed to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares held.

2. New Standards and Interpretations

2.1 Standards and Interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations.

The impact of the following standards and interpretations have been assessed by management and are considered not to have a significant effect on the Group's financial results.

Standards	Details of amendment	Annual periods beginning on or after
Amendments to IAS 7: Disclosure initiative	The amendment requires disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This has resulted in enhanced disclosures in the current year.	1 January 2017
IAS 12: Income Taxes	Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12): Narrow-scope amendment to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017

2.2 Standards and Interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 September 2018 or later periods:

Standards	**Details of amendment**	**Annual periods beginning on or after**
IFRS 3	**Annual Improvements 2015 - 2017 Cycle:** Clarification that when an entity obtains control of a business that is a joint operation, it is required to remeasure previously held interests in that business.	1 January 2019
	Definition of a Business Updates to the definition of a business: business must include inputs and a process, focussed the definition of outputs to goods and services provided to customers and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business *The amendment will be applied retrospectively.* *Management is currently in the process of assessing the impact of the change.*	1 January 2020

2.2 Standards and Interpretations not yet effective (continued)

Standards	Details of amendment	Annual periods beginning on or after
IFRS 9 (new)	**Financial instruments** The standard requires financial assets to be measured either at amortised cost or fair value depending on the business model under which they are held and the cash flow characteristics of the instrument. In addition, the standard replaces the incurred loss impairment model in IAS 39 with an expected loss model. It will no longer be necessary for a credit event to have occurred before credit losses are recognised *The amendment will be applied retrospectively.* *Management is currently in the process of assessing the impact of the change.*	1 January 2018
IFRS 15 (new)	**Revenue from contracts with customers** The IFRS replaces IAS 18 Revenue and provides a single, principles based five-step model to be applied to all contracts with customers. The steps involve identifying the contract, identifying the performance obligations under the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognising revenue when the entity satisfies a performance obligation.	1 January 2018
	Clarification to IFRS 15 revenue from contracts with customers: The amendment does not change the underlying principles of IFRS 15 but it provides clarity as to how to apply those principles. The amendments clarify how to identify a performance obligation in a contract, determine whether a company is a principal or an agent; and determine whether the revenue from granting a licence should be recognised at a point in time or over time. The amendments also provide reliefs to reduce cost and complexity for a company when it first applies the new standard. *The amendment will be applied retrospectively.* *Management is currently in the process of assessing the impact of the change.*	1 January 2018

2.2 Standards and Interpretations not yet effective (continued)

Standards	Details of amendment	Annual periods beginning on or after
IFRS 16 (new)	**Leases** The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance leases. *The amendment will be applied retrospectively.* *Management is currently in the process of assessing the impact of the change.*	1 January 2019
IAS 1: Disclosure initiative	**Presentation of financial statements** Disclosure Initiative: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards *The amendment will be applied retrospectively.* *Management is currently in the process of assessing the impact of the change.*	1 January 2020
IAS 12	The amendment provides clarification that all income tax consequences of dividends should be recognised in profit or loss, regardless how the tax arises. *The amendment will be applied retrospectively.* *Management is currently in the process of assessing the impact of the change.*	1 January 2019

3. Property, plant and equipment

	2018			2017		
Group	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Leasehold property	427 315	(159 144)	268 171	281 805	(55 492)	226 313
Plant and equipment	5 085 251	(4 360 762)	724 489	4 989 921	(4 230 627)	759 294
Motor Vehicles	969 701	(315 153)	654 548	969 701	(121 213)	848 488
Trailers	4 153 167	(180 417)	3 972 750	-	-	-
Trucks	8 167 308	(217 866)	7 949 442	-	-	-
Computer equipment	233 264	(223 751)	9 513	256 938	(223 909)	33 029
Total	**19 036 006**	**(5 457 093)**	**13 578 913**	**6 498 365**	**(4 631 241)**	**1 867 124**

Company	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Motor Vehicles	969 701	(315 153)	654 548	969 701	(121 213)	848 488
Trailers	4 153 167	(180 417)	3 972 750	-	-	-
Trucks	8 167 308	(217 866)	7 949 442	-	-	-
Computer equipment	24 105	(20 988)	3 117	54 089	(43 374)	10 715
Total	**13 314 281**	**(734 424)**	**12 579 857**	**1 023 790**	**(164 587)**	**859 203**

Reconciliation of property, plant and equipment Group – 2018

	Opening balance	Additions	Revaluations	Depreciation	Total
Leasehold property	226 313	145 510	-	(103 652)	268 171
Plant and machinery	759 294	95 330	-	(130 135)	724 489
Motor Vehicles	848 488	-	-	(193 940)	654 548
Trailers	-	4 153 167	-	(180 417)	3 972 750
Trucks	-	8 167 308	-	(217 866)	7 949 442
Computer equipment	33 029	6 310	-	(29 827)	9 513
	1 867 124	**12 567 625**	**-**	**(855 837)**	**13 578 913**

Reconciliation of property, plant and equipment Group – 2017

	Opening balance	Additions	Revaluations	Depreciation	Total
Leasehold Property	229 669	52 133	-	(55 489)	226 313
Plant and machinery	876 155	-	-	(116 861)	759 294
Motor Vehicles	-	969 701	-	(121 213)	848 488
Computer equipment	69 122	1 297	-	(37 390)	33 029
	1 174 946	**1 023 131**	**-**	**(330 953)**	**1 867 124**

3 Property, plant and equipment (Continued)

Reconciliation of property, plant and equipment Company – 2018

	Opening balance	Additions	Depreciation	Total
Motor Vehicles	848 488	-	(193 940)	654 548
Trailers	-	4 153 167	(180 417)	3 972 750
Trucks	-	8 167 308	(217 866)	7 949 442
Computer equipment	10 715	-	(7 598)	3 117
	859 203	**12 320 475**	**(599 821)**	**12 579 857**

Reconciliation of property, plant and equipment Company – 2017

	Opening balance	Additions	Depreciation	Total
Motor Vehicles	-	969 701	(121 213)	848 488
Computer equipment	19 730	-	(9 015)	10 715
	19 730	**969 701**	**(130 228)**	**859 203**

Property, plant and equipment encumbered as security

The following assets have been encumbered as security over the finance lease liability. Refer to note 17.

Motor Vehicles	654 548	848 888	654 548	848 888
Trucks	7 949 442	-	7 949 442	-
Trailers	3 972 750	-	3 972 750	-
Total	12 576 740	848 888	12 576 740	848 888

There were no contractual commitments for the acquisition of property, plant and equipment at 31 August 2018.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

Valuation process of the group

It is the Group's policy for management to perform a valuation every year, with an independent valuation by an accredited valuer of plant and equipment every three years, to ensure that the fair value of revalued assets do not differ materially from their carrying values. The carrying value of the plant and machinery under the cost model would have been Nil as at year end.

The following table discloses the valuation technique used in measuring the fair value of the Group's plant and equipment, as well as significant inputs used:

Valuation technique	Significant unobservable inputs	Key unobservable inputs and fair value measurement
Discounted production unit cost: The valuation model considers the present value of the net cash flows to be generated from the sale of the production units taking into account expected volumes and revenue growth. The expected cash flows are discounted using a discount rate as determined by management.	• Growth rate of 6% pa • Discount rate of 12% pa • Production unit increase rate of 8% pa	The estimated fair value would increase (decrease) if: • The expected revenue growth rate was higher (lower) • The expected discount rate was higher (lower) • The expected production unit was higher (lower)

4. Intangible Assets

Group	2018 Cost	2018 Accumulated amortisation	2018 Carrying value	2017 Cost	2017 Accumulated amortisation	2017 Carrying value
Intellectual property: integrated circuits	3 028 727	-	3 028 727	1 421 720	-	1 421 720

Reconciliation of intangible assets - Group - 2018

	Opening balance	Additions	Total
Intellectual property: integrated circuits	1 421 720	1 607 007	3 028 727

Reconciliation of intangible assets - Group - 2017

	Opening balance	Additions	Total
Intellectual property: integrated circuits	-	1 421 720	1 421 720

There were no contractual commitments for the acquisition of intangible assets at 31 August 2018.

5. Investments in subsidiary

The company's only subsidiary is South African Micro Electronic Systems (Pty) Ltd in which it has 100% shareholding.

The subsidiary has not been impaired during the year and there are no significant restrictions related to the subsidiary of the group.

6. Deferred tax

Deferred tax comprises of the following temporary differences

Figures in Rand	Group 2018	Group 2017	Company 2018	Company 2017
Leave pay	109 933	91 354	-	-
Operating leases	48 144	39 157	-	-
Deferred tax balance from temporary differences other than unused tax losses	**158 077**	**130 511**		
Tax losses available for set off against future taxable income	8 349 941	8 400 000	-	-
Total deferred tax asset	**8 508 018**	**8 530 511**	**-**	**-**
Deferred tax liabilities				
Plant and equipment	(121 046)	(116 723)	-	-
Prepayments	(22 900)	(24 686)	-	-
Total deferred liabilities	**(143 946)**	**(141 409)**	**-**	**-**
Total net deferred tax asset	**8 364 072**	**8 389 102**	-	-

The deferred tax assets and the deferred tax liability relates to income tax in the same jurisdiction for the same legal entity, and IFRS allows net settlement. Therefore, they have been offset in the statement of financial position.

6. **Deferred tax (continued)**

Deferred tax comprises of the following temporary differences (continued)

Figures in Rand	**Group** 2018	2017	**Company** 2018	2017
Reconciliation of deferred tax asset /(liability)				
At the beginning of the year	8 389 102	7 896 316		
(Decrease) Increase in tax losses available for set off against future taxable income	(49 430)	448 430	-	-
(Increase) Decrease in temporary difference on property, plant and equipment revaluation	(4 325)	16 675	-	-
Increase (Decrease) in temporary difference on leave pay	18 580	(2 211)	-	-
Increase in temporary difference on operating leases	8 987	24 064	-	-
Decrease in temporary difference on prepayments	1 788	5 828	-	-
	8 364 702	**8 389 102**	**-**	**-**
Unrecognised deferred tax asset				
Unused tax losses not recognised as deferred tax assets	116 861 632	129 481 322	23 660 637	20 945 942

Deferred tax assets have been recognised only to the extent that the amount of unused tax losses relating to the Group's operations can be carried forward and there is evidence that it is probable that sufficient taxable profits will be available in the future to utilise tax losses carried forward, based on the directors' assessment of the Group's operational plans and profitability forecast.

7. **Inventories**

Figures in Rand	**Group** 2018	2017	**Company** 2018	2017
Work in progress	2 078 319	412 363	-	-
Finished goods	1 795 093	2 309 640	-	-
	3 873 412	**2 722 003**	**-**	**-**
Allowance for obsolescence	**(184 206)**	(134 488)	-	-
	3 689 206	**2 587 515**	**-**	**-**

No inventory has been pledged as security against financial liabilities.

8. **Loans from directors**

Figures in Rand	**Group** 2018	2017	**Company** 2018	2017
Directors' loans				
– D O'Neill	1 000 000	-	1 000 000	-
– D Asmal	284 255	284 255	284 255	284 255
Link Private Equity Investments Proprietary Limited	644 351	114 751	644 351	114 751
	1 928 606	**399 006**	**1 928 606**	**399 006**

These loans are unsecured, bear no interest and have no fixed terms of repayment.

The carrying value of the loans to directors approximates its fair value due to the short term nature thereof.

9. Other financial assets

Figures in Rand	Group 2018	Group 2017	Company 2018	Company 2017
At fair value through profit or loss				
Total Client Services Limited The total of Nil (2017: 992 363) shares held with a value of 1 cent per share (31 August 2017: 1 cent per share)	-	9 923	-	-
Loans and receivables				
Kufika Transport Proprietary Limited. The loan is unsecured, bears no interest and has no fixed terms of repayments	-	704 860	-	704 860
Other financial assets	-	714 783	-	704 860
Current assets				
At fair value through profit or loss	-	9 923	-	-
Loan and receivables	-	704 860	-	-
	-	714 783	-	704 860

Fair value information

The carrying value of the loans and receivables approximates its fair value due to the short term nature of the receivable.

Loans and receivables past due but not impaired

At 31 August 2018, no loans and receivables were past due but not impaired.

10. Taxation

Taxation consist of significant individual assets and liabilities in terms of the Income Tax Act, VAT Act and other statutory regulations. Due to the significance of these balances they have been disclosed separately within the consolidated financial statements. The nature of the account relates mostly to disputes with SARS surrounding outstanding VAT receivables set off against income taxation payable in historic financial periods, calculated incorrectly based on disallowed tax losses.

During the prior year, Labat Africa Limited has reached a settlement agreement with SARS related to the ongoing dispute around its PAYE and VAT assessments dating to the period 28 February 2013. The settlement has resulted in an amount of R1.2 million being paid to SARS and the remaining liability raised being reversed. As a result, the dispute regarding Labat Africa Limited and SARS has been concluded.

During the previous year, SAMES (Pty) Ltd had lodged an application with the tax court to have the outstanding balance of VAT and interest thereon recovered, with cost. Based on legal representation obtained independently management is confident the receivable recognised will be recovered in due course.

The matter between SAMES (Pty) Ltd and SARS is on-going at year end.

	Group 2018	Group 2017	Company 2018	Company 2017
Value Added Taxation	10 588 868	11 570 482	(1 713 355)	(168 900)
Employee related taxes	(14 963 382)	(13 438 476)	(1 624 905)	-
Interest and penalties	18 409 235	4 778 540	-	-
Current tax payable	(202 072)	(202 072)	-	-
	13 832 648	**2 708 474**	**(3 338 260)**	**(168 900)**
Current assets	17 363 157	3 069 623		
Current liabilities	(3 530 509)	(361 149)	(3 338 260)	(168 900)
	13 832 648	**2 708 474**	**(3 338 260)**	**(168 900)**

11. Trade and other receivables

Trade receivables	10 259 906	18 298 133	12 060 035	16 566 587
Prepayments	81 781	158 747	-	70 581
Deposits	103 336	103 336	103 336	103 336
Other receivables	-	16 575	-	16 575
	10 445 023	**18 576 791**	**12 163 371**	**16 757 079**

Trade and other receivables pledged as security at period end.

None of the above stated trade and other receivables were pledged as security at period end.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates. Management believes the credit quality of the trade receivables to be high, as there has not been any historic default on these trade receivables.

Fair value of trade and other receivables

The carrying value of trade and other receivables approximates their fair value due to the short term nature thereof.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 August 2018, R 127 857 (2017: R188 246) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	127 857	188 246	-	-

Trade and other receivables impaired

As of 31 August 2018, trade and other receivables of R Nil (2017: R Nil) were provided for as an allowance for bad debts.

Reconciliation of allowance for impairment of trade and other receivables

Opening balance	-	(22 160)	-	-
Amounts written off as uncollectable	-	-	-	-
Unused amounts reserved	-	22 160	-	-
	-	-	-	-

12. Cash and cash equivalents

	Group		Company	
Figures in Rand	2018	2017	2018	2017
Cash on hand	20 815	21 524	-	-
Bank balances	5 486 535	8 276 943	757 617	4 869 390
Short term deposits	927 963	927 963	-	-
	6 435 313	**9 226 430**	**757 617**	**4 869 390**
The total amount of undrawn facilities available for future operating activities	20 000	20 000	-	-

The fair value of the cash and cash equivalents approximates its fair value, due to the short term nature thereof.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings or historical information about counterparty default rates. Management believes the credit quality of cash and cash equivalents are high in nature, as they bank with reputable financial institutions.

13. Share capital

Figures in Rand	Group 2018	Group 2017	Company 2018	Company 2017
Authorised				
5 000 000 000 Ordinary shares of 1 Cent each	50 000 000	50 000 000	50 000 000	50 000 000
Reconciliation of number of shares issued:				
Reported as at 01 September	259 202 297	259 202 297	259 202 297	259 202 297
Treasury shares	(3 210 023)	(3 210 023)	(3 210 023)	(3 210 023)
Issue of shares – ordinary shares	2 886 625	2 886 625	2 886 625	2 886 625
	258 878 899	**258 878 899**	**258 878 899**	**258 878 899**
Issued				
262 088 922 Ordinary shares of 1 cent each	2 620 889	2 620 889	2 620 889	2 620 889
Share premium	57 745 016	57 745 016	57 745 016	57 745 016
Treasury shares	(481 503)	(481 503)	-	-
	59 884 402	**59 884 402**	**60 365 905**	**60 365 905**

14. Treasury Shares

The Group entered a share incentive scheme for the benefit of employees during 2001. Share options totalling 4,866,667 had been allotted towards this scheme during the 2001 financial period through the issue of 4,866 667 shares to the share incentive scheme. In terms of the scheme, employees were entitled to exercise their options to purchase these shares in specific tranches within a five year period from grant date. These options have subsequently expired or have been exercised. Included in the share capital are 3 210 023 Labat Africa Limited shares that have been issued to the share incentive scheme and remain in the custody of the group through the Share Incentive Scheme with a value of R481 503.

15. Revaluation reserve

The revaluation reserve arose as result of the revaluation of plant and machinery in accordance with the group's accounting policies.

Figures in Rand	Group 2018	Group 2017	Company 2018	Company 2017
Opening balance	300 146	343 024	-	-
Realisation of revaluation reserve through use	(42 878)	(42 878)	-	-
	257 268	**300 146**	**-**	**-**

16. Non distributable reserves – Capital contributions

A loan owing to a subsidiary company was acquired at a discount on acquisition of the subsidiary. This loan was treated as a capital contribution at acquisition of the subsidiary, as the loan is not repayable by the holding company to the subsidiary. Movements in loans during the year from the subsidiary arising from transactions in the current year are considered as part of capital contributions.

Figures in Rand	Group 2018	Group 2017	Company 2018	Company 2017
Opening balance	-	-	33 721 355	29 702 260
Current year contribution	-	-	642 355	4 019 095
	-	**-**	**34 363 710**	**33 721 355**

17. Finance lease liabilities

Figures in Rand	Group 2018	Group 2017	Company 2018	Company 2017
Minimum lease payments due				
- within one year	5 953 060	310 180	5 953 060	310 180
- in second to fifth year inclusive	7 525 991	882 423	7 525 991	882 423
	13 479 051	**1 192 603**	**13 479 051**	**1 192 603**
less: future finance charges	(1 583 587)	(303 355)	(1 583 587)	(303 355)
Present value of minimum lease payments	**11 895 464**	**889 248**	**11 895 464**	**889 248**
Present value of minimum lease payments due				
- within one year	4 930 290	173 653	4 930 290	173 653
- in second to fifth year inclusive	6 965 174	715 595	6 965 174	715 595
	11 895 464	**889 248**	**11 895 464**	**889 248**
Non-current liabilities	6 965 174	715 595	6 965 174	715 595
Current liabilities	4 930 290	173 653	4 930 290	173 653
	11 895 464	**889 248**	**11 895 464**	**889 248**

The leases does not contain contingent rental, repurchase renewal options and does not impose restrictions on the entity. The average lease term on motor vehicles was 4 years and the average effective borrowing rate was 17%. The average lease term on truck and trailers was 3 years and 4 years respectively, and the average effective borrowing rate on both was 11%.

Fair value of finance lease liabilities

The carrying amount of the financial lease liabilities approximates its fair value as the terms and conditions of the liabilities are market related.

18. Loans from subsidiaries

SAMES Properties (Pty) Ltd	-	-	318 252	318 252

The loan is unsecured, bears no interest and has no fixed term repayments.

Fair value of loans from subsidiary

The carrying value of loans approximates its fair value, due to the short term nature thereof.

19. Trade and other payables

Trade payables	7 589 001	22 110 501	7 006 273	21 471 512
Accruals	166 200	156 896	-	-
Operating lease payable	171 944	164 155	-	24 308
Other payables	17 257	332 695	16 307	331 746
	7 944 402	**22 764 247**	**7 022 580**	**21 827 566**

Fair value of trade and other payables

The carrying value of trade and other payables approximates its fair value, due to the short term nature thereof.

20. Provisions

Reconciliation of provisions Group – 2018

	Opening balance	Additions	Utilised during the year	Total
Salaries	8 488 126	5 539 515	(2 150 000)	11 877 641
Leave pay	694 139	853 443	(694 139)	853 443
Freight charges	-	28 260	-	28 260
Workmen's Compensation	10 989	4 182	-	15 171
	9 193 254	**6 425 400**	**(2 844 139)**	**12 774 515**

Reconciliation of provisions Group – 2017

Salaries	8 304 126	2 000 000	(1 816 000)	8 488 126
Leave pay	608 728	737 595	(652 184)	694 139
Workmen's Compensation	10 989	-	-	10 989
	8 923 843	**2 737 595**	**(2 468 184)**	**9 193 254**

Reconciliation of provisions Company – 2018

Salaries	8 488 126	5 539 515	(2 150 000)	11 877 641
Leave pay	367 876	460 824	(367 876)	460 824
	8 856 002	**6 000 339**	**(2 517 876)**	**12 338 465**

Reconciliation of provisions Company 2017

Salaries	8 304 126	2 000 000	(1 816 000)	8 488 126
Leave pay	291 200	319 793	(243 117)	367 876
	8 595 326	2 319 793	(2 059 117)	8 856 002

Leave pay

The leave pay provision represents management's best estimate of the group's liability under the current employment terms where the employees of the group are eligible for leave based on the underlying terms and conditions of employment with the entity. The uncertainties within the provision relates to the timing differences due mainly with regard to utilisation and compensation of leave owed.

Salaries

The provision related to salaries has been raised as uncertainty exists as to the timing of when these emoluments will be paid.

21. Revenue

	Group		Company	
Figures in Rand	2018	2017	2018	2017
Sale of goods	12 833 632	9 616 703	-	-
Management fees	-	-	3 000 000	200 000
Rendering of services	60 513 386	42 393 897	60 513 386	42 393 897
	73 347 018	**52 010 600**	**63 513 386**	**42 593 897**

22. Cost of sales

Sale of goods	3 964 497	3 397 444	-	-
Cost of services	54 998 281	37 219 160	54 998 281	37 219 160
	58 962 778	**40 616 604**	**54 998 281**	**37 219 160**

23. Other income

Figures in Rand	Group 2018	Group 2017	Company 2018	Company 2017
Derecognition of VAT liability –Refer note 10	-	906 210	-	-
Gains on foreign exchange differences	694 185	-	-	-
Transaction and guarantee fees	5 700 000	-	5 700 000	-
Profit on disposal of assets		3650		
Cost recoveries	400	116 240		22 623
Other	52 629		52 629	-
	6 447 214	1 026 100	5 752 629	22 623

24. Operating profit / (loss)

Operating loss for the year is stated after accounting for the following:

Auditor's Remuneration - external				
Audit fees	717 947	516 762	417 122	280 584
Employee costs	14 461 647	7 261 165	11 342 340	4 684 324
Retirement benefits plans: defined contribution expense	122 692	108 260	117 999	103 800
Total employee costs	**14 584 339**	**7 369 425**	**11 460 339**	**4 788 124**
Leases				
Operating lease charges				
Premises	966 249	981 424	360 000	366 306
Motor vehicles	29 962	51 144	29 962	51 144
Equipment	-	-	-	-
	996 211	**1 032 568**	**389 962**	**417 450**

25. Finance income

Interest income per category:				
Bank	-	45 941	-	141
Loans and receivables at amortised cost	-	4 860	-	4 860
South African Revenue Services outstanding receivables	13 693 045	6 423 450	-	-
Total interest income	13 693 045	6 474 251	-	5 001
Total finance income	**13 693 045**	**6 474 251**	**-**	**5 001**

26. Finance Costs

Finance leases	476 412	90 278	475 846	90 278
South African Revenue Services	191 009	161 452	191 009	161 452
Factoring facilitation finance charge	438 972	183 138	438 972	183 138
Total finance costs	**1 106 393**	**434 868**	**1 105 828**	**434 868**

27. Taxation

Figures in Rand	Group 2018	Group 2017	Company 2018	Company 2017
Major components of the tax income Current				
Local income tax	-	-	-	-
Deferred	-	-	-	-
Originating and reversing temporary differences	25 029	(492 786)	-	-
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.	-	-	-	-
Accounting profit/(loss)	12 609 761	4 149 057	(2 714 695)	(4 408 134)
Tax at the applicable tax rate of 28%	3 530 733	1 161 736	(760 115)	(1 234 278)
Tax effect of adjustments on taxable income	-			
Tax charges not deductible	53 641	104 190	53 483	104 190
Utilisation of deferred tax losses	(4 265 982)	(2 888 800)	-	-
Tax losses carried forward	-	-	-	-
Tax losses not recognised	706 637	1 130 088	706 632	1 130 088
	25 029	**(492 786)**	-	-

28. Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing profit or loss attributable to the ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the period.

Basic earnings per share was based on earnings/ (loss) of R12 584 732 (2017: R4 641 843) and a weighted average number of ordinary shares of 258 878 899 (2017: 256 150 445).

Diluted earnings per share

Diluted earnings per share is equal to earnings per share because there are no dilutive potential ordinary shares in issue.

Headline earnings per share

Headline earnings per share are determined by dividing headline earnings by the weighted average number of ordinary share outstanding during a period. In the determination of headline earnings per share, profit or loss attributable to the equity holders of the parent, and the weighted average number of ordinary shares are adjusted for the effects of all potential headline transactions applicable to the ordinary shares as described in Circular 4/2018 as issued by the South African Institute of Chartered Accountants.

28. Earnings per share (Continued)

Figures in Rand	Group 2018	Group 2017	Company 2018	Company 2017
Reconciliation of headline earnings per share				
Basic/ Diluted Basic attributable to owners of Labat Africa Limited	12 584 732	4 641 843	-	-
Profit on disposal of property, plant and equipment	-	(3 650)	-	-
Tax on profit on disposal of tangible assets	-	1 022	-	-
	12 584 732	**4 639 215**	-	-
Earnings attributable to owners of Labat Africa Limited				
Basic and dilutive earnings per share	4.86	1.81	-	-
Basic and dilutive headline earnings per share	4.86	1.81	-	-
Reconciliation of weighted average number of shares				
Issued shares at the beginning of the year	258 878 899	255 992 274	-	-
Share issue for cash	-	158 171	-	-
	258 878 899	256 150 445	-	-

29. Cash generated from (used in) operations

Figures in Rand	Group 2018	Group 2017	Company 2018	Company 2017
Profit (loss) before taxation	12 609 762	4 149 057	(2 714 695)	(4 408 134)
Adjustments for:				
Depreciation	855 837	331 917	599 821	131 192
Derecognition of SARS liability	-	(906 210)	-	-
Losses on foreign exchange	47 599	437 877	-	-
Inventory write-off	47 918	134 488	-	-
Finance costs	1 106 392	434 868	1 106 392	434 868
Finance income	(13 693 045)	(6 474 251)	-	(5 001)
Profit on disposal of fixed assets	-	(3 650)	-	-
Other non-cash flow items	437 600	-	437 600	-
Movements in provisions	3 934 992	269 411	3 482 463	260 676
Inventories	(1 149 609)	554 705	-	-
Trade and other receivables	8 156 013	(16 695 567)	4 593 708	(15 963 823)
Trade and other payables	(12 868 124)	19 857 817	(11 827 200)	20 498 045
	(514 665)	**2 090 462**	**(4 321 911)**	**947 823**

30. Reconciliation of finance lease liabilities

	Group 2018	Group 2017	Company 2018	Company 2017
Balance at the beginning of the year	(889 248)	-	(889 248)	-
New leases entered into (non-cash flow)	(12 320 475)	(1 059 978)	(12 320 475)	(1 059 978)
Repayment of finance leases (cash flow)	1 314 260	170 730	1 314 260	170 730
Balance at the end of the year	**(11 895 464)**	**(889 248)**	**(11 895 464)**	**(889 248)**

31. Reconciliation of directors' loans

	Group 2018	Group 2017	Company 2018	Company 2017
Balance at the beginning of the year	399 006	284 255	399 006	284 255
Loans received during the year (cash flow)	1 470 000	-	1 470 000	-
Loans repaid during the year (cash flow)	(378 000)	(251 000)	(378 000)	(251 000)
Other transactions with directors (non-cash flow)	437 600	365 751	437 600	365 751
Balance at the end of the year	**1 928 606**	**399 006**	**1 928 606**	**399 006**

32. Reconciliation of non-distributable reserves – Capital contribution

Figures in Rand	Group 2018	Group 2017	Company 2018	Company 2017
Balance at the beginning of the year	-	-	33 721 355	29 702 260
Contribution received during the year (cash flow)	-	-	668 224	4 019 095
Contribution repaid during the year (cash flow)	-	-	(25 869)	-
Balance at the end of the year	-	-	34 363 710	33 721 355

33. Commitments

	Group 2018	Group 2017	Company 2018	Company 2017
Operating leases – as lessee (expense)				
minimum lease payments due				
- within one year	606 250	819 207	-	146 410
- in second to fifth year inclusive	1 540 887	1 934 179	-	-
	2 147 137	**2 753 386**	**-**	**146 410**

Operating lease payments represent rentals payable by the group for certain of its office properties. The operating lease commitment stated above escalated at an annual rate of 10%. The entity has not entered into any sublease agreements, neither does the lease agreement contain any contingent rents, purchase or renewal options, or impose any restrictions on the entity.

34. Contingencies

There are various claims and counter claims made by and against the group which have risen in the normal course of business which may have a material effect on the group's financial position. Estimates of the financial effect, when reliable estimates are available, are included. Details of these matters are as follows:

Limpopo Province:

Labat Africa Limited has requested a review of the process, which led to the award of a contract to pay pensions in the Limpopo Province. The contract has now been set aside and Labat Africa Limited is preparing a damages claim. The financial effect cannot be reliably determined at the date of these financial statements.

35. Related parties

Relationships

Subsidiary	South African Micro Electronic Systems Proprietary Limited
Shareholder with significant influence	Link Private Equity Investments Proprietary Limited
Directors	Brian van Rooyen (Executive)
	David O'Neill (Executive)
	Rowena Majiedt (Non-executive)
	Beverley Penny (Non-executive)
	Rustum Mohamed (Non-executive)
	Gorden Walters (Executive) Tebogo Mogapi (Executive)

	Group		Company	
Figures in Rand	2018	2017	2018	2017
Related party balances				
South African Micro-Electronic Systems Proprietary Limited				
Loan accounts - Owing (to) by group companies	-	-	34 363 710	33 721 355
SAMES Properties Proprietary Limited				
Loan accounts - Owing (to) by group companies	-	-	(318 252)	(318 252)
Dawood Asmal	(284 255)	(284 255)	(284 255)	(284 255)
David O'Neil	(1 000 000)	-	(1 000 000)	-
Director services raised as provision/ accrual				
Remuneration provision for directors (disclosed under provisions)	(11 877 641)	(8 488 126)	(11 877 641)	(8 488 126)
Remuneration accrual for directors (disclosed under taxation payable)	(353 731)		(353 731)	-
Link Private Equity Investments Proprietary Limited				
Loan accounts - Owing (to) by shareholders and directors with significant influence	(644 351)	(114 751)	(644 351)	(114 751)
Related party transactions Link Equity Investments Proprietary Limited				
Rent paid to related parties	360 000	366 306	360 000	366 306
South African Micro-Electronic Systems Proprietary Limited				
Administration fees received from related parties	-	-	(3 000 000)	(200 000)
Compensation to directors and other key management				
Short-term employee benefits	2 603 731	3 979 000	2 603 731	3 979 000

36. Directors' emoluments

Executive

2018	Emoluments	Provident fund	Medical aid	Travel	Total
B.G. van Rooyen	1 703 731	144 776	126 280	300 000	2 274 787
D.J. O'Neill	900 000	51 108	126 280	180 000	1 257 388
	2 603 731	**195 884**	**252 560**	**480 000**	**3 532 175**

2017	Emoluments	Provident fund	Medical aid	Travel	Total
B.G. van Rooyen	2 269 000	144 776	52 182	300 000	2 765 958
D.J. O'Neill	1 710 000	51 108	52 182	180 000	1 993 290
	3 979 000	**195 884**	**104 364**	**480 000**	**4 759 248**

Non-executive

2018	Directors' fees	Total
R. Majiedt	69 400	69 400
R. Mohamed	60 000	60 000
B. Penny	30 000	30 000
	159 400	**159 400**

2017	Directors' fees	Total
R. Majiedt	84 000	84 000
B. Jacobs	30 000	30 000
D. Asmal	15 000	15 000
R. Mohamed	15 000	15 000
	144 000	**144 000**

37. Directors' interest in shares

As at 31 August 2018, the Directors' interests were as follows:

	August 2018 Beneficial			**August 2017 Beneficial**		
	Direct	**Indirect**	**%**	**Direct**	**Indirect**	**%**
BG Van Rooyen	-	52 514 908	20.26	-	52 514 908	20.26
DJ O'Neill	-	52 514 907	20.26	-	52 514 907	20.26
	-	**105 029 815**	**40.52**	**-**	**105 029 815**	**40.52**

* Based on 258 878 899 shares, being the total number of shares in issue as at 31 August 2018, the day on which the share register was in final form.

38. Risk management

Capital risk management

The group and company's capital structure consists of debt which includes non-interest bearing borrowings and equity attributable to equity holders of the company which comprises issued share capital, share premium and accumulated earnings. The group's capital management objective is to achieve an effective weighted average cost of capital while continuing to safeguard the group's ability to meet its liquidity requirements, repay borrowings as they fall due and continue as a going concern. Management reviews the capital structure, analyses interest rate exposure and re-evaluates treasury management strategies in the context of economic conditions and forecasts regularly. There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

35. Risk management (continued)

Financial risk management

The group and company is exposed to risks from its use of financial instruments. This note describes the group's objective, policies and processes for managing those risks and the methods used to measure them. As the risk management is addressed on a group wide basis, the policies and procedures governing the risk management processes are addressed at group level and information specific to the company is added. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes to the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note. Information disclosed has not been disaggregated as the financial instruments used by the group share the same economic characteristics and market conditions.

The principal financial instruments used by the group, from which financial risk arises, are as follows:

- Trade and other receivables;
- Cash and cash equivalents;
- Loans to/ from group companies;
- Finance lease liabilities;
- Other financial assets;
- Loans from director; and
- Trade and other payables.

The group is currently exposed to credit risk, liquidity risk and market risk (which comprises cash flow interest rate risk and price risk). The group is exposed to foreign exchange risk as the group does have direct dealings with suppliers or customers where a foreign exchange risk may occur.

Risk management is carried out by management under policies approved by the Board. The Board provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk and credit risk. The directors monitor their collections from the group's receivables, movement in prime lending rates and the risks that the group is exposed to base on current market conditions, on a monthly basis.

The main purpose of financial liabilities is to raise finance to fund the acquisition of plant and equipment, working capital and any future acquisitions. Procedures for avoiding excessive concentration of risk include:

- Maintaining a wide customer base;
- Continually looking for opportunities to expand the customer base;
- Reviewing current developments in technology in order to identify any product line which may increase margins in the future;
- Reviewing the trade debtors' age analysis regularly with the intention of minimising the group's exposure to bad debt;
- Maintaining cash balances and agreed facilities with reputable financial institutions;
- Effecting necessary price increases as and when required; and
- Reviewing the group's bank accounts daily.

38. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the group will experience financial difficulty in meeting its financial obligations as they fall due. The group's policy is to ensure that it will always have sufficient cash or funding facilities to allow it to meet its obligations when they fall due. To achieve this it seeks to maintain cash balances and agreed facilities with reputable financial institutions. This is also achieved by monitoring the economy to ensure that necessary price increases are affected. There have been no defaults or breaches on financial liabilities during the course of the current financial year. Management of liquidity risk in regard to financial liabilities includes a daily review of the group's bank accounts and transfer of excess funds from the main current account to other facilities in order to increase the group's interest earnings.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

Financial liabilities by category	Financial liabilities at amortised cost	Financial liabilities at amortised cost
At 31 August 2018	**Less than 1 year**	**Between 2 and 5 years**
Trade and other payables	7 772 458	-
Loans from directors	1 928 606	-
Finance lease liability	5 953 060	7 525 991
At 31 August 2017	**Less than 1 year**	**Between 2 and 5 years**
Trade and other payables	22 600 092	-
Loans from directors	399 006	-
Finance lease liability	310 180	882 423

Company

At 31 August 2018	**Less than 1 year**	**Between 1 and 2 years**
Loan from subsidiaries	318 252	-
Trade and other payables	7 022 580	-
Loans from directors	1 928 606	-
Finance lease liabilities	5 953 060	7 525 991
At 31 August 2017	**Less than 1 year**	**Between 2 and 5 years**
Loan from subsidiaries	318 252	-
Trade and other payables	21 803 259	-
Loans from directors	399 006	-
Finance lease liabilities	310 180	882 423

Interest rate risk

Interest rates on finance lease liabilities and cash and cash equivalents are linked to prime rate. The prime rate as at year end was 10.0% (2017:10.25%).

The group is exposed to cash flow interest rate risk. Excess funds are deposited with reputable financial institutions on a rate quotation basis. This ensures that the group earns the most advantageous rates of interest available.

The group has used a sensitivity analysis technique that measures the estimated change to the Statement of Comprehensive Income of an instantaneous increase or decrease in market interest rates on financial instruments from the applicable rate as at 31 August 2018, for each class of financial instrument with all other variables remaining constant. The calculations were done with reference to the outstanding financial liability and financial asset balances for the year. This represents no change from the prior period in the method and assumptions used. This analysis is for illustrative purposes only and represents management's best estimate.

At 31 August 2018, if interest rates on Rand-denominated borrowings had been 1% higher/lower with all other variables held constant, pre-tax profit for the year would have been R 54 602 (2017: R83 372) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

38. Risk management (continued)

Credit risk

Credit risk arises from trade receivables and cash and cash equivalents. The credit quality of customers is assessed by taking into account the financial position, past experience and other factors. Individual risk limits are set internally and are regularly monitored. It is the group's policy that all customers be subjected to a credit verification procedure before agreements are entered into. In addition, the trade debtors' age analysis is reviewed weekly with the intention of minimising the group's exposure to bad debts.

When a customer is identified as having cash flow problems, the credit manager will take the following steps:

- Confirm the situation with the customer;
- Advise the director of the situation during the monthly meeting at which outstanding debtors balances are reviewed;
- Place the customer on hold to mitigate further risks; and
- Issue letters of demand and decide whether to proceed with further legal action.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. No collateral has been provided for any of the financial assets held by the group.

The maximum exposure of financial assets to credit risk equates to the carrying amounts as presented on the Statement of Financial Position.

	Group		Company	
Figures in Rand	2018	2017	2018	2017
Financial assets by category	**Loans and receivables**	**Loans and receivables**	**Loans and receivables**	**Loans and receivables**
Trade and other receivables	10 363 242	18 418 044	12 163 371	16 686 498
Other financial assets	-	714 783	-	704 860
Cash and cash equivalents	6 435 313	9 204 906	757 617	4 869 390

Market risk

The group's activities expose it primarily to the risks of fluctuations in foreign currency exchange rates and price risk. Foregoing currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Refer to the currency risk disclosure as stated below where the sensitivity analysis on the effect of currency fluctuations are shown.

Price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other that those arising from currency risk.

Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. The group does not hedge foreign exchange fluctuations.

- At 31 August 2018, if the currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been R1 845 (2017: R 116 618) higher, mainly as a result of foreign exchange gains or losses on translation of US dollar denominated trade receivables, cash and cash equivalents and trade payables.

38. Risk management (continued)

The group reviews its foreign currency exposure, including commitments on an ongoing basis.

Foreign currency exposure at the end of the reporting period

	Group		Company	
Figures in Rand	2018	2017	2018	2017
Current assets				
Trade debtors	374 734	1 708 170	-	-
Liabilities				
Trade payables	646 698	5 153	-	-
Exchange rates used for conversion of foreign items were:				
USD	14.692	13.0139		

39. Going concern

The consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Group is projecting positive cash flows for the year ahead from existing and new business. Current assets of R37 932 699 exceed the current liabilities of R31 108 322 at year end.

Based on the above, the board of directors is of the opinion that, having regard to the current status and the future strategy of the group, sufficient cash resources for working capital and acquisition requirements with a profitable business. The Board therefore considers the group to be a going concern.

40. Events after the reporting period

An agreement was reached to finalise the Labat-Kufika relationship as follows: Kufika and the Aucamp brothers will take over the remaining trucks and trailers and release Labat from any sureties outstanding on these vehicles as a full and final settlement.

The Company entered into high-level terms with the shareholders of Force Fuel Proprietary Limited ("Force Fuel") and Force Fuel Properties Limited ("FFP") ("the Sellers"), in terms of which Labat acquired the shares of Force Fuel and FFP ("the Acquisition") in return for the issue of 30 000 000 shares at R1.00 per share in Labat. The shareholders for Force Fuel and FFP comprised of Chronos Logistics Services (Pty) Ltd and Main Street 1384 (Pty) Ltd, which in turn were owned by several shareholders, the largest shareholders being the Bakubung Share Trust (associated with Tebogo Mogapi) and SG Share Trust (associated with Melvin Watkins) holding 21.67% each.

The Group entered into guarantee agreements with various third party suppliers of Force Fuel (Pty) Ltd in the amount of R110 million.

41. Determination of fair value hierarchy

Financial instruments measured in the statement of financial position at fair value require disclosure. The following is the fair value Measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices, which represent actual and regularly occurring market transactions between market participants at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker or industry group pricing market transactions on an arm's length basis and transactions occur regularly. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. For all other financial assets and liabilities, the carrying value approximates the fair value.

The following table presents the Group's assets and liabilities that are measured at fair value:

2018	Level 1	Level 2	Level 3 R	Total R
Assets				
Plant and equipment	-	-	724 489	724 489
	-	**-**	**724 489**	**724 489**

2018	Level 1	Level 2	Level 3 R	Total R
Assets				
Other financial assets	-	-	9 923	9 923
Plant and equipment	-	-	876 155	876 155
	-	**-**	**886 078**	**886 078**

42. Segment reporting

IFRS 8 requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specific criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the Chief Operating Decision Maker. The Chief Executive Officer is the Chief Operating Decision Maker of the group.

Our geographical locations of operations are restricted to a single area, South Africa.

No single customer makes up more than 10% of the Group's Revenue.

The company has three segments as follows:

- Technology which manufactures and distributes integrated circuits South African Micro Electronic Systems;
- Logistics which transports coals and minerals for some of the major mines of South Africa;
- Head office operations which provides management services, logistics and seeks further investment opportunities for the Group;

The following factors have been utilised to differentiate between the individual reporting segments:

- The nature of products /services delivered by these individual segment's operational activities; and
- The financial significance of the individual segment

42. Segment reporting (continued)

Reconciliation of segment reporting - Group - 2018

31 August	Technology	Logistics	Property	Operational total	Head Office	Eliminations	Total
Statement of Profit or loss							
External revenue	12 833 632	60 513 386	-	73 347 018	-	-	73 347 018
Management Fees			-	-	3 000 000	(3 000 000)	-
	12 833 632	60 513 386	-	73 347 018	3 000 000	(3 000 000)	73 347 018
Cost of sales	(3 964 497)	(54 998 281)	-	(58 962 778)			(58 962 778)
Gross Profit	8 869 135	5 515 105	-	14 384 240	3 000 000	(3 000 000)	14 384 240
Other income	707 789	-	-	707 789	5 752 629	(13 204)	6 447 214
Operating expenses	(7 679 003)	(808 106)	-	(8 487 109)	(14 468 674)	3 003 275	(19 952 508)
Depreciation	(256 016)	(430 606)	-	(686 622)	(169 215)	-	(855 837)
Recurring operating profit/(loss)	1 641 905	4 276 393	-	5 918 298	(5 885 260)	(9 929)	23 109
Finance income	13 693 045	-	-	13 693 045	-	-	13 693 045
Finance costs	(565)	(475 846)	-	(476 411)	(629 982)	-	(1 106 393)
Profit/(loss) before taxation	15 334 385	3 800 547	-	19 134 931	(6 515 242)	(9 929)	12 609 761
Taxation	(25 029)	-	-	(25 029)	-	-	(25 029)
Profit/(loss) for the year	15 309 356	3 800 547	-	19 109 902	(6 515 242)	(9 929)	12 584 732
Segment assets	46 226 295	21 115 412	340 722	61 682 429	4 587 503	(3 365 521)	62 904 411
Segment liabilities	(35 354 169)	(16 668 099)	(318 251)	(52 340 519)	(20 173 528)	34 440 556	(38 073 491)

42. Segment reporting (continued)

Reconciliation of segment reporting - Group - 2017

31 August	Technology	Logistics	Property	Operational total	Head Office	Eliminations	Total
Statement of Profit or loss							
External revenue	9 616 703	42 393 897	-	52 010 600	-	-	52 010 600
Management Fees				-	200 000	(200 000)	-
	9 616 703	42 393 897	-	52 010 600	200 000	(200 000)	52 010 600
Cost of sales	(3 397 445)	(37 219 161)	-	(40 616 606)	-	-	(40 616 606)
Gross Profit	6 219 258	5 174 736	-	11 393 994	200 000	(200 000)	11 393 994
Other income	1 003 477	-	-	1 003 477	22 663	-	1 026 140
Operating expenses	(4 731 901)	(1 070 534)	(202 169)	(6 004 604)	(8 173 901)	200 000	(13 978 505)
Depreciation	(200 725)			(200 725)	(131 192)		(331 917)
Recurring operating profit/(loss)	2 290 109	4 104 202	(202 169)	6 192 142	(8 082 430)	-	(1 890 288)
Interest received	6 469 251	-	-	6 469 251	5 001	-	6 474 252
Finance costs	-	-	-	-	(434 868)	-	(434 868)
Profit/(loss) before taxation	8 759 360	4 104 202	(202 169)	12 661 393	(8 512 337)	-	4 149 057
Taxation	492 786						492 786
Profit/(loss) for the year	9 252 146	4 104 202	(202 169)	13 159 179	(8 512 337)	-	4 641 843
Segment assets	22 630 362	16 566 587	340 722	39 537 671	6 826 015	(510 598)	45 853 088
Segment liabilities	(33 067 591)	(21 471 511)	(318 251)	(54 857 353)	(10 987 465)	(32 237 913)	(33 606 905)

ADMINISTRATION

DIRECTORS

RM Majiedt (Independent Non-Executive Chairperson),
BG van Rooyen (Chief Executive Officer),
DJ O'Neill (Outgoing Financial Director),
NS Mogapi (Chief Operations Officer),
GRI Walters (Incoming Financial Director),
BA Penny (Independent Non-Executive Director),
R Mohamed (Independent Non-Executive Director)

BUSINESS AND REGISTERED OFFICE

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1709

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VAT No: 4850182819

COMPANY SECRETARY

Arbor Capital Company Secretarial Proprietary Limited

20 Stirrup Lane,
Woodmead Office Park
Cnr Van Reenens Street and Woodmead Drive,
Woodmead,
2191

Telephone: +27 11 480-8500

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited

Rosebank Towers,
15 Biermann Avenue,
Rosebank,
Johannesburg,
2196

PO Box 61051,
Marshalltown 2107,
South Africa

Telephone: +27 11 370 5000 / 086 110 0933

Telefax: +27 11 688 7732 / 086 110 0932

AUDITORS

Nexia SAB&T

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0046

P O Box 10512,
Centurion,
0046

Telephone: +27 12 682 8800

ATTORNEYS

Norton Rose
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Sandton,
2196

Telephone: +27 11 685 8595

PRINCIPAL BANKERS

ABSA Bank Limited

SPONSOR

Arbor Capital Sponsors Proprietary Limited

20 Stirrup Lane,
Woodmead Office Park
Cnr Van Reenens Street and Woodmead Drive,
Woodmead,
2191

Telephone: +27 11 480 8500

NOTICE OF ANNUAL GENERAL MEETING

Labat Africa Limited

Incorporated in the Republic of South Africa

(Registration number 1986/001616/06)

JSE code: LAB ISIN: ZAE 000018354

("Labat" or "the Company")

Notice is hereby given that the Annual General Meeting of shareholders of the Company will be held at 10:00 on, Tuesday, 26 February 2019 at 23 Kroton Avenue, Weltevreden Park, Roodepoort to consider, and if deemed fit, to pass, with or without modifications, the resolutions set out below.

Record Dates

The board of directors of the Company has determined that the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of this annual general meeting is Friday, 18 January 2019 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the AGM is Friday, 15 February 2019. Accordingly, only shareholders who are registered in the register of members of the Company on Tuesday, 12 February 2019 will be entitled to participate in and vote at the annual general meeting.

Who May Attend

1. If you are the registered holder of certificated shares or you hold dematerialised shares with "own name" registration:
   - you may attend the AGM in person; or
   - you may appoint a proxy to represent you at the AGM by completing the attached form of proxy in accordance with the instructions contained therein and by returning it to the transfer secretaries to be received no later than 10:00 on, Friday, 22 February 2019 for administrative purposes or thereafter to the Company by hand by no later than 10:00 on Tuesday, 26 February 2019.

   A proxy need not be a shareholder of the Company.

   Certificated Shareholders or Own-name Dematerialised Shareholders may attend and vote at the Annual General Meeting, or alternatively appoint a proxy to attend, speak and, in respect of the applicable resolutions, vote in their stead by completing the attached form of proxy and returning it to the Company's transfer secretaries, Computershare Investor Services Proprietary Limited, at Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196, or posting to the transfer secretaries PO Box 61051, Marshalltown, 2107, to be received by no later than 10:00 on Friday, 22 February 2019 for administrative purposes or thereafter to the Company by hand by no later than 10:00 on Tuesday, 26 February 2019.

2. If you hold dematerialised shares which are not registered in your name:
   - and you wish to attend the AGM in person, you must obtain the necessary letter of representation from your Central Securities Depository Participant (CSDP) or broker or nominee (as the case may be); or
   - if you do not wish to attend the AGM but would like your vote to be recorded at the meeting, you should contact your CSDP or broker or nominee (as the case may be) and furnish them with your voting instructions; and
   - you must not complete the attached proxy form.

   Electronic Participation at the AGM

   In accordance with the provisions of section 61(10) of the Companies Act, the Company intends to make provision for shareholders and their proxies to participate in the AGM by way of telephone conference call. Shareholders wishing to do so:

   - must contact the Financial Director at +27 11 675-6841 by not later than 10:00 on Friday, 22 February 2019, to obtain a pin number and dial-in details for the conference call;
   - will be required to provide reasonably satisfactory identification;
   - will be billed separately by their own telephone service providers for the telephone call to participate in the AGM; and
   - must submit their voting proxies to the transfer secretaries, Computershare Investor Services Proprietary Limited, at Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107) (Tel: (011) 370 5000) by no later than 10:00 on Friday, 22 February 2019 for administrative purposes on commencement of the AGM on Tuesday, 26 February 2019. No changes to voting instructions after this time and date can be accepted unless the Chairman of the meeting is satisfied as to the identification of the electronic participant.

NOTICE OF ANNUAL GENERAL MEETING

Purpose of the AGM

The purpose of the AGM is to present to the shareholders of the Company:

- the group audited financial statements for the year ended 31 August 2018;
- the directors' report;
- the report of the Audit Committee;
- the report of the Social & Ethics Committee; and
- to deal with any other business that may lawfully be dealt with at the AGM, and to consider and, if deemed fit, to pass, with or without modification, the resolutions set out below:

1. ORDINARY RESOLUTION NUMBER 1 – ANNUAL FINANCIAL STATEMENTS

"RESOLVED THAT the annual financial statements of the Company and its subsidiaries for the year ended 31 August 2018, including the directors' report, the independent auditors' report, the audit and risk committee report and the social and ethics committee report, be received, considered and adopted."

Explanatory Note:

The annual financial statements are required to be approved in terms of the Companies Act, 2008 (No 71 of 2008) ("the Companies Act").

The minimum percentage of voting rights that is required for ordinary resolution 1 to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on this resolution.

2. ORDINARY RESOLUTION NUMBER 2 – DIRECTOR APPOINTMENT – MR. NS MOGAPI

"RESOLVED THAT the interim appointment of Mr. NS Mogapi, as an executive director of the Company with effect from 1 September 2018 be and is hereby approved".

Mr. Mogapi's curriculum vitae is set out on page 7 of this integrated annual report

3. ORDINARY RESOLUTION NUMBER 3 – DIRECTOR APPOINTMENT – MR. GRI WALTERS

"RESOLVED THAT the interim appointment of Mr. GRI Walters, as an executive director of the Company with effect from 1 September 2018 be and is hereby approved".

Mr. Walters' curriculum vitae is set out on page 7 of this integrated annual report

Explanatory note for ordinary resolutions 2 and 3:

In terms of the Company's Memorandum of Incorporation ("MOI"), all directors appointed to fill a casual vacancy or an interim appointment shall be elected by an ordinary resolution of the shareholders at the next general or annual general meeting of the company.

In order for these resolutions to be adopted, the support of more than 50% of the voting rights exercised on the resolutions by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolutions is required.

4. ORDINARY RESOLUTION NUMBER 4 – DIRECTOR RETIREMENT AND RE-ELECTION – MS. BA PENNY

"RESOLVED THAT Ms. BA Penny, which director retires in terms of the Company's MOI and, being eligible, offers herself for re-election as a director of the Company be and is hereby approved."

Ms. Penny's curriculum vitae is set out on page 8 of this Annual Report.

Explanatory Note:

In accordance with the MOI of the Company, one-third of the non-executive directors or any interim appointed directors are required to retire at each meeting and may offer themselves for re-election. In terms of the MOI of the Company the executive directors, during the period of their service contract, are not taken into account when determining which directors are to retire by rotation.

The minimum percentage of voting rights that is required for ordinary resolution 4 to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

5. **ORDINARY RESOLUTION NUMBER 5 – RE-APPOINTMENT AND REMUNERATION OF AUDITORS**

"RESOLVED THAT the re-appointment of Nexia SAB&T as nominated by the Group's audit committee, as the independent external auditor of the Group be and is hereby approved and that the audit committee be and are hereby authorised to determine the remuneration of the auditors. It is noted that Mr Aneel Darmalingam is the individual registered auditor who will undertake the audit for the financial year ending 31 August 2019, being the designated auditor."

Explanatory Note:

Nexia SAB&T has indicated their willingness to be reappointed as the Company's auditor until the next Annual General Meeting. During the year, the audit partner changed to Mr Aneel Darmalingam. The Audit Committee has satisfied itself as to the independence of Nexia SAB&T and Mr Aneel Darmalingam and has also considered the requirements for the reappointment of the audit firm and audit partner in accordance with recent amendments to the JSE Listings Requirements. Further details are set out in the Audit Committee Report on pages 27 - 29 of this integrated report.

The Audit Committee has the power in terms of the Companies Act to approve the remuneration of the external auditors. The remuneration paid to the auditors during the year ended 31 August 2018 is set out in note 24 of the Annual Financial Statements.

The minimum percentage of voting rights that is required for ordinary resolution 5 to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast in favour of the resolution.

6. **ORDINARY RESOLUTION NUMBER 6 – APPOINTMENT OF AUDIT AND RISK COMMITTEE MEMBER – MR. R MOHAMED**

"RESOLVED THAT Mr. R Mohamed be and is hereby approved to be appointed as a member and Chairman of the Audit and Risk Committee."

Mr. R Mohamed's curriculum vitae is set out on page 8 of this Annual Report.

7. **ORDINARY RESOLUTION NUMBER 7 —-APPOINTMENT OF AUDIT AND RISK COMMITTEE MEMBER – MS. BA PENNY**

"RESOLVED THAT Ms. BA Penny be and is hereby approved to be reappointed as a member of the Audit and Risk Committee."

Ms. BA Penny's curriculum vitae is set out on page 8 of this Annual Report.

8. **ORDINARY RESOLUTION NUMBER 8 – RE-APPOINTMENT OF AUDIT AND RISK COMMITTEE MEMBER – MS. RM MAJIEDT**

"RESOLVED THAT Ms. RM Majiedt be and is hereby approved to be reappointed as member of the Audit and Risk Committee."

Ms. RM Majiedt's curriculum vitae is set out on page 8 of this Annual Report.

Explanatory Note for ordinary resolutions number 6 to 8:

In terms of Section 61 (8)(c)(ii) of the Companies Act, shareholders are required to approve the appointment of the Audit Committee members.

The minimum percentage of voting rights that is required for each of ordinary resolutions 6 to 8 to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on each resolution.

9. **ORDINARY RESOLUTION NUMBER 9 - ENDORSEMENT OF LABAT'S REMUNERATION POLICY**

"RESOLVED THAT, the company's remuneration policy as set out in Part I of the Remuneration Report, be and is hereby approved."

Explanatory Note:

In terms of King IV dealing with boards and directors, companies are required to table their remuneration policy every year to shareholders for a non-binding advisory vote at the AGM. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation.

Part I of the company's Remuneration Report is contained on pages 21 to 23 of this integrated annual report.

Ordinary resolution 9 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the board will take the outcome of the vote into consideration when considering the company's remuneration policy.

10. ORDINARY RESOLUTION NUMBER 10 - ENDORSEMENT OF THE IMPLEMENTATION OF LABAT'S REMUNERATION POLICY

"RESOLVED THAT, the implementation of the company's remuneration policy as set out in Part II of the company's Remuneration Report, be and is hereby approved."

Explanatory Note:

In terms of King IV dealing with boards and directors, companies are required to table their remuneration policy every year to shareholders for a non-binding advisory vote at the AGM. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation.

Part II of the company's Remuneration Report is contained on page 23 of this integrated annual report.

Ordinary resolution 10 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the board will take the outcome of the vote into consideration when considering the company's remuneration policy.

Should more than 25% of the total votes cast be against either ordinary resolutions 9 or 10, the company will issue an announcement on the Stock Exchange News Services ("SENS") inviting shareholders who voted against the resolutions to meet with members of the Remuneration Committee. The process to be followed will be set out in a SENS announcement.

11. ORDINARY RESOLUTION NUMBER 11 – GENERAL AUTHORITY TO ALLOT AND ISSUE SHARES FOR CASH

"**Resolved that**, subject to the provisions of the Companies Act, the Listings Requirements of the JSE and the company's memorandum of incorporation, as a general authority valid until the next Annual General Meeting of the company and provided that it shall not extend past 15 months from the date of this Annual General Meeting, the authorised but unissued ordinary shares of the company be and are hereby placed under the control of the directors who are hereby authorised to allot, issue, grant options over or otherwise deal with or dispose of these shares to such persons at such times and on such terms and conditions and for such consideration whether payable in cash or otherwise, as the directors may think fit, provided that:

- the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such equity securities or rights that are convertible into a class already in issue;
- this authority shall not endure beyond the next Annual General Meeting of the company nor shall it endure beyond 15 months from the date of this meeting;
- the shares must be issued only to public shareholders (as defined in the Listings Requirements of the JSE) and not to related parties (as defined in the Listings Requirements of the JSE);
- Upon any issue of shares for cash which represent, on a cumulative basis within a financial year, 5% (five percent) of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of the issue, (including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 days prior to the date that the price of the issue is agreed in writing between the company and the party/(ies) subscribing for the shares and the effects of the issue on the Statement of Financial Position, net asset value per share, net tangible asset value per share, the Statement of Comprehensive Income, earnings per share, headline earnings per share, and if applicable diluted earnings per share and diluted headline earnings per share), or an explanation, including supporting information (if any), of the intended use of the funds, or any other announcements that may be required in such regard in terms of the Listings Requirements which may be applicable from time to time;
- the number of ordinary shares issued for cash shall not, in the current financial year, in aggregate, exceed 30% or 86 783 670 of the Company's issued ordinary shares (including securities which are compulsorily convertible into shares of that class and excluding treasury shares) provided that;

a) any equity securities issued under the authority during the period contemplated above must be deducted from the 86 783 670 ordinary shares as stated above; and
b) in the event of a sub-division or consolidation of issued equity securities during the period contemplated above, the existing authority must be adjusted accordingly to represent the same allocation ratio.

- the maximum discount at which shares may be issued is 10% of the weighted average traded price of the company's shares over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the Company."

Explanatory Note:

An ordinary resolution is required in terms of the Listings Requirements of the JSE in order for shareholders to place the authority to issue shares for cash under the control of the directors.

In order for this resolution to be adopted, it must be approved by 75% (seventy five percent) of the voting rights exercised on ordinary resolution 11 by shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the resolution is required.

12. SPECIAL RESOLUTION NUMBER 1 – AUTHORITY TO ISSUE SHARES, SECURITIES CONVERTIBLE INTO SHARES OR RIGHTS THAT MAY EXCEED 30% OF THE VOTING POWER OF THE CURRENT ISSUED SHARE CAPITAL

"**Resolved that**: the authorised but unissued shares of the Company be and are hereby placed under the control of the directors (to the extent that this is necessary in terms of the Company's memorandum of incorporation) and the Directors be and are hereby authorised, to the extent required in terms of section 41(3) of the Companies Act, to allot and issue such number of shares in the authorised but unissued share capital of the Company as may be required for purposes of issuing shares, securities convertible into shares, or rights exercisable for shares in a transaction or series of integrated transactions notwithstanding the fact that such number of ordinary shares may have voting power equal to or in excess of 30% of the voting rights of all ordinary shares in issue immediately prior to such issue. This authority specifically includes the authority to allot and issue any ordinary shares in the authorised but unissued share capital of the Company to any underwriter(s) of a rights or claw-back offer (whether or not such underwriter is a related party to Labat (as defined for purposes of the Listings Requirements) and/or person falling within the ambit of section 41(1) of the Companies Act, being a director, future director, prescribed officer or future prescribed officer of the Company or a person related or inter-related to the Company or related or inter-related to a Director or prescribed officer of the Company or a nominee of any of the foregoing persons."

Explanatory Note:

The reason for special resolution number 1 is to:

a. obtain approval from the shareholders of the Company, in terms of the provisions of sections 41(1) and (3) of the Companies Act (to the extent required), to issue additional ordinary shares in the authorised but unissued share capital of the Company to enable the Company to issue shares, securities convertible into shares, or rights exercisable for shares in a transaction or series of integrated transactions notwithstanding the fact that such number of ordinary shares may have voting power equal to or in excess of 30% of the voting rights of all ordinary shares in issue immediately prior to such issue; and

b. to provide for the possibility of such shares being issued to persons and parties considered to be related and/or inter-related parties as defined in section 2 of the Companies Act, 2008 and the Listings Requirements of the Johannesburg Stock Exchange ("JSE"), which issue will be subject to the JSE Listings Requirements.

In order for this resolution to be adopted, the support of at least 75% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

13. SPECIAL RESOLUTION NUMBER 2 – NON-EXECUTIVE DIRECTORS' REMUNERATION

"**RESOLVED THAT** the approval of the remuneration payable to the non-executive directors for the financial year commencing 01 September 2018 as follows:

	Chairman	Other directors / members of committees
Board: Remuneration per annum (Maximum):	R100 000	R75 000

The above fees are proposed net of VAT which may become payable thereon to directors depending on the status of the individual director's tax position.

Explanatory Note:

In terms of Section 66(9) of the Companies Act, shareholders are required to approve the remuneration of directors.

The minimum percentage of voting rights that is required for this special resolution to be adopted is 75% (seventy five percent) of the voting rights to be cast on this resolution.

14. SPECIAL RESOLUTION NUMBER 3 – GENERAL AUTHORITY TO ENTER INTO FUNDING AGREEMENTS, PROVIDE LOANS OR OTHER FINANCIAL ASSISTANCE

"**RESOLVED that** in terms of Section 45 of the Companies Act, as amended, the Company be and is hereby granted a general approval authorising that the Company and or any one or more of and/or its wholly-owned subsidiaries incorporated in the Republic to enter into direct or indirect funding agreements or to provide loans or financial assistance between any one or more of the subsidiaries from time to time, subject to the provisions of the JSE Listings Requirements, for funding agreements and as the directors in their discretion deem fit.

Explanatory Note:

The purpose of this resolution is to enable the Company to enter into funding arrangements with its subsidiaries and to allow intergroup loans between subsidiaries.

The minimum percentage of voting rights that is required for this special resolution to be adopted is 75% (seventy five percent) of the voting rights to be cast on each resolution.

15. SPECIAL RESOLUTION NUMBER 4: GENERAL AUTHORITY TO ACQUIRE (REPURCHASE) SHARES

"**RESOLVED THAT,** subject to the approval of 75% of the shareholders present in person and by proxy, and entitled to vote at the Annual General Meeting, the Company and/or any subsidiary of the Company is hereby authorised, by way of a general authority, from time to time, to acquire ordinary shares in the share capital of the Company from any person in accordance with the requirements of Labat's memorandum of incorporation, the Companies Act and the JSE Listings Requirements, provided that:

- any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement with the counterparty;
- this general authority shall be valid until the earlier of the Company's next Annual General Meeting or the variation or revocation of such general authority by special resolution at any subsequent general meeting of the Company, provided that it shall not extend beyond 15 months from the date of passing of this special resolution number 4;
- an announcement will be published as soon as the Company or any of its subsidiaries have acquired ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary shares in issue and for each 3% in aggregate of the initial number acquired thereafter, in compliance with paragraph 11.27 of the JSE Listings Requirements;
- acquisitions of shares in aggregate in any one financial year may not exceed 5% of the Company's ordinary issued share capital, as the case may be, as at the date of passing of this special resolution number 4;
- ordinary shares may not be acquired at a price greater than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE as determined over the five business days immediately preceding the date of acquisition of such ordinary shares;
- the Company has been given authority by its memorandum of incorporation;
- the board of directors authorises the acquisition and that the Company passed the solvency and liquidity test, as set out in Section 4 of the Companies Act, and that since the solvency and liquidity test was performed there have been no material changes to the financial position of the Company;
- in terms of section 48 (2)(b) of the Companies Act, the board of a subsidiary Company may determine that it will acquire shares of its holding company, but (i) not more than 10%, in aggregate, of the number of issued shares of any class of shares of a Company may be held by, or for the benefit of, all of the subsidiaries of that Company, taken together; and (ii) no voting rights attached to those shares may be exercised while the shares are held by the subsidiary, and it remains a subsidiary of the Company whose shares it holds;
- in terms of section 48 (8)(b) of the Companies Act, the repurchase of any shares is subject to the requirements of sections 114 and 115 if, considered alone, or together with other transactions in an integrated series of transactions, it involves the acquisition by the Company of more than 5% of the issued shares of any particular class of the Company's shares;
- at any point in time, the Company and/or its subsidiaries may only appoint one agent to effect any such acquisition;
- the Company and/or its subsidiaries undertake that they will not enter the market to so acquire the Company's shares until the Company's designated advisor has provided written confirmation to the JSE regarding the adequacy of the Company's working capital in accordance with Schedule 25 of the Listings Requirements of the JSE; and
- the Company and/or its subsidiaries may not acquire any shares during a prohibited period, as defined in the Listings Requirements of the JSE unless a repurchase program is in place, where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the program have been disclosed in an announcement over the SENS prior to the commencement of the prohibited period.

Explanatory Note:

The reason for and effect of this special resolution is to grant the Company and its subsidiaries a general authority to facilitate the acquisition by the Company and/or its subsidiaries of the Company's own shares, which general authority shall be valid until the earlier of the next Annual General Meeting of the Company or the variation or revocation of such general authority by special resolution at any subsequent general meeting of the Company, provided that this general authority shall not extend beyond 15 months from the date of the passing of this special resolution number 4.

Any decision by the directors, after considering the effect of an acquisition of up to 5% of the Company's issued ordinary, as the case may be, to use the general authority to acquire shares of the Company will be taken with regard to the prevailing market conditions and other factors and provided that, after such acquisition, the directors are of the opinion that:

- the Company and its subsidiaries will be able to pay their debts in the ordinary course of business;
- recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements, the assets of the Company and its subsidiaries will exceed the liabilities of the Company and its subsidiaries;
- the share capital and reserves of the Company and its subsidiaries will be adequate for the purposes of the business of the Company and its subsidiaries; and
- the working capital of the Company and its subsidiaries will be adequate for the purposes of the business of the Company and its subsidiaries, for the period of 12 months after the date of the notice of the Annual General Meeting. The Company will ensure that its designated advisor will provide the necessary letter on the adequacy of the working capital in terms of the Listings Requirements of the JSE, prior to the commencement of any purchase of the Company's shares on the open market.

The JSE Listings Requirements require, in terms of section 11.26, the following disclosures, which appear in this annual report:

- Major shareholders – refer to page 5 of this annual report.
- Share capital of the Company – refer to page 62 of this annual report.

Litigation statement

In terms of paragraph 11.26 of the JSE Listings Requirements, the directors, whose names appear on page xx of this annual report of which the notice of Annual General Meeting forms part, are aware of a likely legal proceeding that is pending. The directors are of the opinion that the lodged claim is of a frivolous nature and has little prospect of succeeding. The outcome of this claim should not have, being at least the previous 12 months, a material effect on Labat's financial position.

Directors' responsibility statement

The directors, whose names appear on page 7 of this annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in this annual report, there have been no material changes in the financial or trading position of the Company and its subsidiaries since the date of signature of the audit report and up to the date of the notice of Annual General Meeting. The directors have no specific intention, at present, for the Company or its subsidiaries to acquire any of the Company's shares but consider that such a general authority should be put in place should an opportunity present itself to do so during the year, which is in the best interests of the Company and its shareholders.

The directors are of the opinion that it would be in the best interests of the Company to extend such general authority and thereby allow the Company or any of its subsidiaries to be in a position to acquire the shares issued by the Company through the order book of the JSE, should the market conditions, tax dispensation and price justify such an action.

The minimum percentage of voting rights that is required for this special resolution to be adopted is 75% (seventy five percent) of the voting rights plus 1 (one) vote to be cast on this resolution.

Voting Rights

Each shareholder, whether present in person or represented by proxy, is entitled to attend and vote at the AGM. On a show of hands every shareholder who is present in person or by proxy shall have one vote, and, on a poll, every shareholder present in person or by proxy shall have one vote for each share held by him/her.

By order of the Board

Arbor Capital Company Secretarial (Pty) Ltd

(Registration Number 1998/025284/07)

Company Secretary

31 January 2019

FORM OF PROXY

Labat Africa Limited
Incorporated in the Republic of South Africa
(Registration number 1986/001616/06)
JSE code: LAB ISIN: ZAE 000018354
("Labat" or "the Company")

(for use by certificated and own name dematerialised shareholders only)

For use by certificated and "own name" registered dematerialised shareholders of the Company at the annual general meeting of Labat be held at 10:00 on Tuesday, 26 February 2019 at the registered offices of the Company ("the annual general meeting").

I/We (please print) ______________________________

Of (address) ______________________________

being the holder/s of ____________________ ordinary shares of no par value, appoint (see note 1):

1. ______________________________ or failing him,
2. ______________________________ or failing him,
3. the chairperson of the annual general meeting,

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering, and if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions (see note 2):

	Number of votes		
	For	**Against**	**Abstain**
Ordinary Resolution Number 1 –Approval of Financial Statements			
Ordinary Resolution Number 2 – Director Appointment – Mr NS Mogapi			
Ordinary Resolution Number 3 – Director Appointment – Mr GRI Walters			
Ordinary Resolution Number 4 –Director Retirement and Re-election – Ms. BA Penny			
Ordinary Resolution Number 5 –Re-appointment and Remuneration of Auditors			
Ordinary Resolution Number 6 –Re-appointment of Audit Committee member – Mr R Mohamed			
Ordinary Resolution Number 7 –Re-appointment of Audit Committee member – Ms BA Penny			
Ordinary Resolution Number 8 –Re-appointment of Audit Committee member – Ms RM Majiedt			
Ordinary Resolution Number 9 –Endorsement of Labat's Remuneration Policy			
Ordinary Resolution Number 10 –Endorsement of the Implementation of Labat's Remuneration Policy			
Ordinary Resolution Number 11- General authority to allot and issue shares for cash			
Special Resolution Number 1 –Authority to issue shares that may exceed 30% of the voting power of the current issued share capital			
Special Resolution Number 2 –Non-Executive Directors' Remuneration			
Special Resolution Number 3 –General authority to enter into funding agreements, provide loans or other financial assistance			
Special Resolution Number 4 – General authority to acquire (repurchase) shares			

Signed at ______________________________ on ____________________ 2019

Signature ____________________ Assisted by me (where applicable) ____________________

Name ____________________ Capacity ____________________ Signature ____________________

NOTES TO FORM OF PROXY

1. This form is for use by certificated shareholders and dematerialised shareholders with "own-name" registration whose shares are registered in their own names on the record date and who wish to appoint another person to represent them at the meeting. If duly authorised, companies and other corporate bodies who shareholders are having shares registered in their own names may appoint a proxy using this form or may appoint a representative in accordance with the last paragraph below.

   Other shareholders should not use this form. All beneficial holders who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker, and do not have their shares registered in their own name, must provide the CSDP or broker with their voting instructions. Alternatively, if they wish to attend the meeting in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial owner and the CSDP or broker.

2. This proxy form will not be effective at the meeting unless received at the transfer secretaries, Computershare Investor Services Proprietary Limited, at Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107) (Tel: (011) 370 5000) by no later than 10:00 on Friday, 22 February 2019.

3. This proxy shall apply to all the ordinary shares registered in the name of shareholders at the record date unless a lesser number of shares are inserted.

4. A shareholder may appoint one person as his proxy by inserting the name of such proxy in the space provided. Any such proxy need not be a shareholder of the Company. If the name of the proxy is not inserted, the chairman of the meeting will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in this proxy form may delegate the authority given to him in this proxy by delivering to the Company, in the manner required by these instructions, a further proxy form which has been completed in a manner consistent with the authority given to the proxy of this proxy form.

5. Unless revoked, the appointment of proxy in terms of this proxy form remains valid until the end of the meeting even if the meeting or a part thereof is postponed or adjourned.

6. If –

   6.1 a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting on any resolution; or
   6.1 the shareholder gives contrary instructions in relation to any matter; or
   6.1 any additional resolution/s which are properly put before the meeting; or
   6.1 any resolution listed in the proxy form is modified or amended,
   The proxy shall be entitled to vote or abstain from voting, as he thinks fit, and in relation to that resolution or matter. If, however, the shareholder has provided further written instructions which accompany this form and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in 6.1 to 6.4, then the proxy shall comply with those instructions.

7. If this proxy is signed by a person (signatory) on behalf of the shareholder, whether in terms of a power of attorney or otherwise, then this proxy form will not be effective unless:

   7.1 it is accompanied by a certified copy of the authority given by the shareholder to the signatory; or

   7.2 The Company has already received a certified copy of that authority.

8. The chairman of the meeting may, at his discretion, accept or reject any proxy form or other written appointment of a proxy which is received by the chairman prior to the time when the meeting deals with a resolution or matter to which the appointment of the proxy relates, even if that appointment of a proxy has not been completed and/or received in accordance with these instructions. However, the chairman shall not accept any such appointment of a proxy unless the chairman is satisfied that it reflects the intention of the shareholder appointing the proxy.

9. Any alterations made in this form of proxy must be initialled by the authorised signatory/ies.

10. This proxy form is revoked if the shareholder who granted the proxy:

    10.1 delivers a copy of the revocation instrument to the Company and to the proxy or proxies concerned, so that it is received by the Company by not later than Friday, 22 February 2019 at 10:00; or

    10.1 appoints a later, inconsistent appointment of proxy for the meeting; or

    10.1 attends the meeting in person.

11. If duly authorised, companies and other corporate bodies who are shareholders of the Company having shares registered in their own name may, instead of completing this proxy form, appoint a representative to represent them and exercise all of their rights at the meeting by giving written notice of the appointment of that representative. This notice will not be effective at the meeting unless it is accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed and is received at the transfer secretaries, Computershare Investor Services Proprietary Limited, at Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107) (Tel: (011) 370 5000) by no later than 10:00 on Friday, 22 February 2019.

NOTES TO FORM OF PROXY

Summary of rights established by section 58 of the Companies Act, as required in terms of subsection 58(8)(b)(i)

1. A shareholder may at any time appoint any individual, including a non-shareholder of the Company, as a proxy to participate in, speak and vote at a shareholders' meeting on his or her behalf (section 58(1) (a)), or to give or withhold consent on behalf of the shareholder to a decision in terms of section 60 (shareholders acting other than at a meeting) (section 58(1) (b)).
2. A proxy appointment must be in writing, dated and signed by the shareholder, and remains valid for one year after the date on which it was signed or any longer or shorter period expressly set out in the appointment, unless it is revoked in terms of paragraph 6.3 or expires earlier in terms of paragraph 10.4 below (section 58(2)).
3. A shareholder may appoint two or more persons concurrently as proxies and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder (section 58(3) (a)).
4. A proxy may delegate his or her authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy ("proxy instrument") (section 58(3)(b)).
5. A copy of the proxy instrument must be delivered to the Company, or to any other person acting on behalf of the Company, before the proxy exercises any rights of the shareholder at a shareholders' meeting (section 58(3)(c)) and in terms of the memorandum of incorporation ("MOI") of the Company at least 48 hours before the meeting commences.
6. Irrespective of the form of instrument used to appoint a proxy:

   6.1 the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder (section 58)4)(a));

   6.2 the appointment is revocable unless the proxy appointment expressly states otherwise (section 58(4)(b)); and

   6.3 if the appointment is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing or by making a later, inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company (section 58(4)(c)).
7. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered as contemplated in paragraph 6.3 above (section 58(5)).
8. If the proxy instrument has been delivered to a Company, as long as that appointment remains in effect, any notice required by the Companies Act or the Company's MOI to be delivered by the Company to the shareholder must be delivered by the Company to the shareholder (section 58(6)(a)), or the proxy or proxies, if the shareholder has directed the Company to do so in writing and paid any reasonable fee charged by the Company for doing so (section 58(6)(b)).
9. A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the MOI or proxy instrument provides otherwise (section 58(7)).
10. If a Company issues an invitation to shareholders to appoint one or more persons named by the Company as a proxy, or supplies a form of proxy instrument:

    10.1 the invitation must be sent to every shareholder entitled to notice of the meeting at which the proxy is intended to be exercised (section 58(8)(a));

    10.2. the invitation or form of proxy instrument supplied by the Company must:

    10.2.1 bear a reasonably prominent summary of the rights established in section 58 of the Companies Act (section 58(8)(b)(i));

    10.2.2 contain adequate blank space, immediately preceding the name(s) of any person(s) named in it, to enable a shareholder to write the name, and if desired, an alternative name of a proxy chosen by the shareholder (section 58(8)(b)(ii)); and

    10.2.3 provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution(s) to be put at the meeting, or is to abstain from voting (section 58(8)(b)(iii));

    10.3 the Company must not require that the proxy appointment be made irrevocable (section 58(8)(c)); and

    10.4 the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to paragraph 7 above (section 58(8)(d)).

LABAT

AFRICA LIMITED

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LABAT
AFRICA LIMITED